

**THIRD SUPPLEMENT TO THE GIBRALTAR
GAZETTE**

No. 3,690 of 18th December, 2008

B. 27/08

BILL

FOR

AN ACT to amend the Income Tax (Allowances, Deductions and Exemptions) Rules, 1992.

ENACTED by the Legislature of Gibraltar.

Title and commencement.

1. This Act may be cited as the Income Tax (Amendment to the Income Tax (Allowances, Deductions and Exemptions) Rules, 1992) Act 2008 and shall be deemed to have come into operation on 1 July 2008.

Amendment to the Income Tax (Allowances, Deductions and Exemptions) Rules, 1992.

2. (1) The Income Tax (Allowances, Deductions and Exemptions) Rules, 1992 are amended as follows.

(2) For rule 21 substitute—

“Deduction in respect of life assurance premiums etc.

21. (1) Subject to the provisions of this rule, an individual who in a year of assessment pays—
- (a) a premium or premiums specified in sub-rule (2);
 - (b) a contribution or contributions falling within sub-rule (9);

- (c) a contribution or contributions falling within sub-rule (10);

shall be entitled to claim a deduction from the amount of his assessable income of the amount payable during that year of assessment in respect of any of the payments mentioned in paragraphs (a), (b) and (c).

- (2) The premiums referred to in sub-rule (1), are any premiums paid under a policy of life insurance by an individual who has made assurance on his life or the life of his spouse.
- (3) Where the amount of the premiums payable under a policy of life insurance is on or after 3 June 2008 increased (whether under the policy or by any contract made after its issue), the deduction allowable under sub-rule (1) in respect of any portion of the amount relating to such increase shall only be granted to the individual by way of relief determined in accordance with the provisions of sub-rule (5).
- (4) Where the individual has made assurance on his life or the life of his spouse on or after 3 June 2008 the deduction allowable under sub-rule (1), shall only be granted to that individual by way of relief in relation to the aggregate of the premiums payable and such relief shall be determined in accordance with the provisions of sub-rule (5).
- (5) For the purposes of sub-rules (3) and (4), and subject to the provisions of sub-rule (11), the relief shall be given at the rate of 17 per cent (basic rate of tax) applied to the earliest policies of insurance first and calculated as follows—
- (a) aggregating the amounts determined by applying that relief; and
- (b) disregarding for the purposes of ascertaining the amounts given by paragraph (a), any amounts in excess of that relief.
- (6) Relief under sub-rules (3), and (4), shall not be given more than once in respect of the same amount.

- (7) Where the deduction referred to in sub-rule (1), is determined by way of relief under sub-rules (3) or (4), and where the Income Tax (Pay As You Earn) Regulations, 1989 applies to the individual, the amount of that deduction determined by way of relief shall be included in the code issued to that individual in accordance with those Regulations and all such assessments or adjustments of assessments in accordance with the provisions of the Income Tax Act shall be made as may be necessary to give effect to the claim for such deduction.
- (8) Subject to the provisions of this rule, where a premium is paid by a spouse out of the separate income of that spouse in respect of an assurance on the life of the spouse, or on the life of the individual, or jointly on the life of both, the same deduction may be claimed under this rule as if the premium was a premium paid by the individual for an assurance made on that individual's own life.
- (9) An individual makes payment of a contribution where that individual for the purposes of providing a pension for himself or herself, or his widow and children, or her widower and children, contributes to a pension scheme or to a provident society or fund approved by the Commissioner and such contributions are not in respect of a statutory Pension Scheme, a Personal Pension Scheme or in relation to contributions made by the individual prior to 1 July 1993 under any legislation relating to social insurance which provides for the payment of pensions.
- (10) An individual who prior to the dissolution on 31 December 1993 of the Social Insurance (Pensions) Fund was entitled, by virtue of contributions to that Fund to claim a deduction under this rule or would have been entitled by virtue of contributions to that Fund if that Fund had not been dissolved, shall be entitled to claim a deduction of the amount equivalent to that which he would have been entitled under sub-rule (1), had that Fund not been dissolved.
- (11) The deduction referred to in sub-rule (1), for any year of assessment, shall not exceed –

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- (a) one-sixth of the total assessable income of the individual subject to paragraph (b);
 - (b) one-seventh of the total assessable income of the individual in respect of any part of the deduction attributable to—
 - (i) the payment of premiums specified in sub-rule (2),
 - (ii) the payment of contributions falling within sub-rule (10);
 - (c) 7 per cent of the capital sum exclusive of any benefit by way of additional bonus or otherwise in respect of a policy securing a capital sum at death whether in conjunction with any other benefit or not.
- (12) Any deduction allowable under sub-rule (1) shall be reduced by one twelfth for each complete calendar month that the individual is not resident in Gibraltar during the year of assessment.
- (13) In this rule, “Personal Pension Scheme” means a scheme approved by the Commissioner whose sole purpose is the provision of annuities or lump sums under arrangements made by individuals in accordance with the scheme.”.
- (3) In sub-rule (1) of rule 22, substitute “Subject to subrules (2), (2A) and (3)” for “Subject to sub-rules (2), (2A), (3) and (8)”.
- (4) After sub-rule (7) of rule 22 insert—
- “(8)(a) Subject to paragraph (b), any deduction allowable under this rule shall only be allowed in respect of the principal sum or sums of a loan or loans limited to a maximum not exceeding £300,000 in the aggregate in relation to such principal sum or sums.
 - (b) Where the principal sum or sums, of a loan or loans made on or before 30 June 2008 exceed the amount of £300,000 in the

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aggregate the deduction allowable under this rule in relation to that excess shall be calculated as follows—

- (i) for the year of assessment commencing 1 July 2008, the excess over £300,000 in respect of the principal sum or sums, shall be reduced by one-tenth of the difference between that principal sum or sums and £300,000 (“the adjusted principal sum”);
 - (ii) the adjusted principal sum shall be included for the purposes of calculation of the deduction allowable under this rule for that same year of assessment;
 - (iii) for the years of assessment commencing from 1 July 2009 to the year of assessment commencing on 1 July 2017, the adjusted principal sum for the purposes of calculation under this rule shall be further reduced by one-tenth of the difference between the principal sum and £300,000.
- (c) No deduction shall be allowable under this rule in respect of any excess mentioned in paragraph (b), in relation to any loan or loans made after 30 June 2008.
- (d) In this sub-rule, “principal” means the capital.”.

EXPLANATORY MEMORANDUM

This Act amends the Income Tax (Allowances, Deductions and Exemptions) Rules in order to give effect to the 2008 Budget.

In relation to life insurance policies the allowance continues to be available and is now restricted to 1/7th of assessable income. The allowances in respect of policies made on or after 3 June 2008 or in relation to the amount of any increase made on or after that date are limited to the basic rate of tax at 17%.

The mortgage loan interest deduction is limited to loans of up to a maximum of £300,000 and any amount in excess of that maximum is now subject to a

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1/10th reduction for every year of assessment until the eligible loan is reduced to £300,000, provided such loan was made on or before 30 June 2008 is secured on the current property and in the name of the current borrower.

**Printed by the Gibraltar Chronicle Limited
Printing Office, 2, Library Gardens,
Government Printers for Gibraltar,
Copies may be purchased at 6, Convent Place, Price £0.40p**