

**RATES OF TAX RULES, 1989**

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**Subsidiary  
1989/096**

Rules made under s.37.

**RATES OF TAX RULES, 1989****(LN. 1989/096)****23.11.1989**

Amending enactments	Relevant current provisions	Commencement date
LN.1990/176	rr. 2(c), (d) and 7	1.7.1991
1992/018	rr. 2(b), (d) and (e), 3 and 6	1.7.1991
1993/045	rr.2, 3 and 8	8.3.1993
1992/022	r.2(e) and (f)	1.7.1993
1994/061	r.6	7.7.1994
1999/082	rr.2, 6 and 7	1.7.1999
2002/014	r.2	1.7.2001
2002/085	r. 3	1.7.2001
“	rr. 2 and 3	1.7.2002
2003/104	rr. 2 and 3.	1.7.2003
2006/112	rr. 2, 3 and 4(a)	1.7.2006
2008/069	rr. 2, 3, 3A, 6 & 7	1.7.2007

**ARRANGEMENT OF RULES**

## Rules

1. Title.
2. Rates of tax chargeable on individuals, etc.
3. Tax charged on certain non-residents.
- 3A. Rates of tax chargeable on individuals under Gross Income Based System.
4. Tax charged on certain amounts received from pension schemes, etc.
5. Standard rate of tax.
6. Corporation tax.
7. Building Society tax.
8. Income from Development Bonds.

**Title.**

1. These Rules may be cited as the Rates of Tax Rules, 1989.

**Rates of tax chargeable on individuals, etc .**

2.(1) Subject to rule 8, tax shall be charged on the taxable income of every person including an individual to whom the provisions of section 34(3) apply, but excluding—

- (a) an individual who elects to be charged on his assessable income under the provisions of rule 3A and subject to the provisions of that rule such election is accepted by the Commissioner,
- (b) a company,
- (c) a building society,
- (d) a non-resident individual to whom the provisions of rule 24(1) of the Income Tax (Allowances, Deductions and Exemptions) Rules 1992 do not apply,
- (e) a Category 3 individual under the provisions of the Qualifying (Category 3) Individuals Rules 2008,
- (f) a Category 4 individual under the provisions of the Qualifying (Category 4) Individuals Rules 2008,
- (g) a High Executive Possessing Specialist Skills Individual under the provisions of the High Executive Possessing Specialist Skills Rules 2008,
- (h) a qualifying individual under the provisions of section 41A of the Act; and
- (i) an individual under the provisions of the Qualifying (High Net Worth) Individuals Rules 1992,

in accordance with the following bandings—

the first £4,000 of taxable income at the rate of 17 per cent;

the next £12,000 of taxable income at the rate of 30 per cent;

the remainder of taxable income at the rate of 40 per cent.

(2) In the case of an individual to whom the provisions of section 34(3) apply the amounts of taxable income set out in the above bandings shall be reduced by one-twelfth for each calendar month in the year of assessment during which that individual does not carry on, exercise or undertake any trade, business, profession, vocation or employment in Gibraltar.

### **Rates of tax charged on certain non-residents.**

3.(1) Subject to the exceptions in subrule (2) and subject to rule 3A and rule 8, tax shall be charged on the taxable income of every non-resident individual in accordance with the following bandings—

the first £16,000 of taxable income at the rate of 30 per cent;

the remainder of taxable income at the rate of 40 per cent.

(2) Subrule (1) shall not apply in respect of the following non-resident individuals—

- (a) those to whom the provisions of rule 24(1) of the Income Tax (Allowances, Deductions and Exemptions) Rules, 1992 apply; or
- (b) individuals falling within rules made under section 41A, except in so far as those Rules provide for the application of subrule (1) to them.

### **Rates of tax chargeable on individuals under Gross Income Based System.**

3A.(1) Subject to the provisions of this rule and rule 8, tax may be charged on the assessable income of an individual who has made an election on the appropriate form prescribed by the Commissioner to the effect that the provisions of this rule shall apply to that individual in accordance with the following bandings—

the first £25,000 of assessable income at the rate of 20 per cent;

the next £75,000 of assessable income at the rate of 30 per cent;

the remainder of assessable income at the rate of 40 per cent.

(2) In the case of an individual to whom the provisions of section 34(3) apply the amounts of assessable income set out in the above bandings shall be reduced by one-twelfth for each calendar month in the year of assessment during which that individual does not carry on, exercise or undertake any trade, business, profession, vocation or employment in Gibraltar.

(3) Where an individual has made an election under subrule (1) and at any time within the year of assessment it appears to the Commissioner to the best of his judgement that—

- (a) the individual by virtue of his election would be liable to a greater amount in tax under the provisions of the Act for that year of assessment than if that individual had not made such an election, and
- (b) the individual would instead be liable to a lower amount in tax under the provisions of the Act for that year of assessment if that individual were chargeable under rule 2 of these Rules taking into account any allowances and deductions that may be due to him,

the Commissioner shall disregard the individual's election for the purposes of the Act and that individual shall be chargeable under rule 2 of these Rules.

**Tax charged on certain amounts received from pension schemes, etc.**

4. Tax shall be charged—

- (a) *Revoked*
- (b) at the rate of 10 per cent on any amount chargeable in accordance with section 6A(1).

**Standard rate of tax.**

5. The standard rate of tax shall be 30%.

**Corporation tax.**

6.(1) Except where otherwise expressly provided, tax which, for the avoidance of doubt, shall be known as Corporation Tax, shall be charged on the taxable income of every company in any year of assessment, at the rate of 33%.

(2) Where the Commissioner is satisfied that, in any year of assessment, a company has a taxable income of £35000 or less and is a small company, Corporation Tax shall be charged at the rate of 20%.

(3) Where the Commissioner is satisfied that, in any year of assessment, a company has a taxable income of less than the sum of £95,667 but more than the sum of £35000 and is a small company, Corporation Tax shall be charged at the rate of 33% less relief.

(4) The relief referred to in sub-rule (3) shall be determined by deducting the amount of the taxable income in any year of assessment from the sum of £95,667 and multiplying the resultant figure by the fraction  $\frac{3}{40}$ .

(5) In this rule, “small company” means a company whose trading activities, in any year of assessment, proves to the satisfaction of the Commissioner, has a minimum of 80% of its total trading receipts derived directly or indirectly from sources other than the following -

- (a) dividends, interest or discounts;
- (b) rents, royalties, premiums, and any other profits arising from property.

### **Building Society tax.**

7.(1) Except where otherwise expressly provided, tax shall be charged on the taxable income of every building society in any year of assessment, at the rate of 33%.

(2) Where the Commissioner is satisfied that, in any year of assessment, a building society has a taxable income of £35000 or less, tax shall be charged at the rate of 20%.

(3) Where the Commissioner is satisfied that, in any year of assessment, a building society has a taxable income of less than the sum of £95,667 but more than the sum of £35000, tax shall be charged at the rate of 33% less relief.

The relief referred to in sub-rule (3) shall be determined by deducting the amount of the taxable income in any year of assessment from the sum of £95,667 and multiplying the resultant figure by the fraction  $\frac{3}{40}$ .

In this rule “building society” shall be construed in accordance with the provisions of the Building Societies Act as amended from time to time.

**Income from Development bonds.**

8. (1) Tax shall be charged on the income of every person by way of interest on a Development Bond (as defined in regulation 2 of the Savings Bank (Development Bonds) Regulations, 1993) at the rate of 25%.

(2) In ascertaining the amount of income by way of interest chargeable to tax in accordance with subrule (1), no reliefs (personal or otherwise) exemptions or allowances otherwise to be taken into account in accordance with the Income Tax Act or rules made thereunder shall be allowed, and such income shall not form part of the assessable income of the person to whom it is paid and the tax deducted in accordance with the proviso to regulation 3 of the Savings Bank (Development Bonds) Regulations, 1993, shall not be refundable.