

Subsidiary Legislation made under s.37A.

**INCOME TAX (ALLOWANCES, DEDUCTIONS AND EXEMPTIONS)
RULES, 1992**

LN.1992/016

Commencement of rule 3(13) **1.7.1989**
All other rules **1.7.1991**

Amending enactments	Relevant current provisions	Commencement date
LN. 1993/133	r.3(9)	1.7.1991
1992/118	r.3(9A)	1.7.1992
1993/114	r.3(8)-(9)	1.1.1993
1994/088	r.3(34)	1.1.1993
1992/022	r.25(1)	1.7.1993
1993/110	r.22(2)(b)-(d)	1.7.1993
1994/088	rr.21(1)(b)-(c), 27A, 31(1)	1.7.1993
1994/033	r.3(41)-(42)	31.3.1994

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In exercise of the powers conferred on him by section 37A of the Income Tax Act, and of all other enabling powers, the Governor has made the following rules-

Title and commencement.

1. These rules may be cited as the Income Tax (Allowances, Deductions and Exemptions) Rules, 1992, and except for Rule 3 (13) which shall be deemed to have come into effect on the 1st day of July 1989, shall be deemed to have come into effect on the 1st day of July 1991.

Interpretation.

2. In these rules, unless the context otherwise requires-

"child" includes a stepchild, an illegitimate child, and a child adopted in accordance with an order made by a Court of Competent Jurisdiction;

"permitted individual" means an individual to whom section 34(3) applies;

"qualifying company" means a company to which section 41 applies;

"exempt company" means a company so designated by the Companies (Taxation and Concessions) Act.

Income exempted.

3. The following classes of income shall be exempt from tax –

(1) the Official emoluments received by the Officer Administering the Government;

(2) the emoluments payable to members of the permanent Consular Services of foreign countries who are nationals of those countries in respect of their offices or in respect of services rendered by them in their official capacity and any income derived by them from sources outside Gibraltar, and the emoluments of any other persons which in accordance with the terms of any International Convention applicable to Gibraltar or of any enactment in force in Gibraltar are to be exempted from taxes upon income;

(3) the emoluments payable from funds of Her Majesty's Government in the United Kingdom to members of Her Majesty's Forces and to any other persons (except persons appointed or engaged in Gibraltar) whose emoluments in respect of their offices in Gibraltar under that Government are charged to income tax in the United Kingdom, and the

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emoluments payable otherwise than from the said funds to members of the Armed Forces of any other power or body stationed in Gibraltar;

(4) the income of any friendly society registered in Gibraltar or in the United Kingdom in so far as the income is not derived from a trade or business carried on by such society;

(5) the income of any ecclesiastical, charitable or educational institution or trust of a public character in Gibraltar, but not including any income derived by such institution or trust from a trade or business carried on by it unless the profits are applied solely to the purposes of such institution or trust and either-

- (i) the trade or business is exercised in the cause of the actual carrying out of a primary purpose of the institution or trust; or
- (ii) the work in connection with the trade or business is mainly carried on by the beneficiaries of the institution or trust;

(6) the income of a body of persons formed for the purpose of promoting social or sporting amenities, subject to the Commissioner being satisfied that the income of such body is applied solely to the furtherance of the objects for which such body was formed and is not income derived from a trade or business carried on by such body;

(7) any sum paid as compensation for unfair dismissal which has been awarded by an industrial tribunal under the provisions of the Employment Act;

(8) such amount paid in respect of compensation for unfair dismissal which has been agreed between the parties which the Commissioner considers would have been awarded by an industrial tribunal if it had adjudicated upon the dismissal;

(9) such sum paid upon redundancy which the Commissioner considers to be appropriate, having regard to, but not limited to, the employee's length of service with the employer who made him redundant and his rate of pay;

(9A) such sum as is received by way of terminal gratuity as defined and provided for by the decision of the Construction and Allied Trades Joint Industrial Council in respect of short term terminal gratuity;".

(10) capital sums received by way of retiring, other than sums received in pursuance of a retirement benefit scheme, injury or death gratuities, or as consolidated compensation for death or injury;

(11) any capital sum received as a gratuity upon termination of employment by an employee of the Crown, whether in its right of the Government of Gibraltar or of the United

Kingdom, after his having completed 20 years service, where the terms of employment of the employee are such that any service in excess of 20 years would not enhance the amount of the gratuity;

(12) (i) capital sums not exceeding 25 per centum of the capital value of the pension received by an individual on retirement from any provident society or other fund approved by the Commissioner.

(ii) capital sums received by an individual on retirement from any provident society or other fund approved by the Commissioner and established by an exempt or qualifying company registered in Gibraltar for the benefit of the non-resident employees (other than permitted individuals) of such exempt or qualifying company.

(13) wound and disability pensions granted to members of Her Majesty's forces or of any recognised national defence organisation in respect of service in such forces or organisation;

(14) pensions granted to widows of members of Her Majesty's Forces or of any recognised national defence organisation in respect of the death of such members in the service of such forces or organisation;

(15) gratuities granted to members of Her Majesty's Forces or of any recognised national defence organisation in respect of services rendered during the war, or on retirement;

(16) the income of any registered Trade Union and of the Gibraltar Chamber of Commerce, in so far as such income is not derived from any trade or business carried on by such Trade Union or by the Gibraltar Chamber of Commerce;

(17) the investment income of any pension fund, provided fund or other fund established in Gibraltar, and approved by the Commissioner;

(18) the income of the Government Savings Bank;

(19) the income arising from a scholarship, exhibition, bursary, or any other similar educational endowment held by a person receiving full time instruction at a university, college, school or educational establishment;

(20) the gains or profits derived by a non-resident owner or charterer or operator of ships or aircraft through the amounts received or receivable by him for the carriage of passengers or cargo to or from Gibraltar in any ship or aircraft owned or chartered or operated by him;

(21) the income of the Navy, Army and Air Force Institutes and of the Services Sound and Vision Corporation;

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(22) the first £600 paid or credited to any person and the first £600 paid or credited to the spouse of any person in respect of interest on deposits in the Government Savings Bank in any basis period for any year of assessment;

(23) any interest not exceeding in the aggregate the sum of £600 paid or credited to any person and any interest not exceeding in the aggregate the sum of £600 paid or credited to the spouse of any person, being in the case of each person interest on deposits in any one or more building societies incorporated, registered or recognised in Gibraltar in any basis period for any year of assessment;

(24) any interest received in respect of deposits in Gibraltar in any bank or building society by any non-resident person, except a permitted individual or any company which is an exempt company.

(25) any interest received by any non-resident person except a permitted individual in respect of any loan stock, where-

- (i) the loan stock is issued by a public company incorporated in Gibraltar which is an investment company; and
- (ii) the public company is one whose securities are dealt in under the auspices of a Stock Exchange approved for the purpose of this paragraph by the Commissioner; and
- (iii) the proceeds of the loan stock issue are applied only for development purposes in Gibraltar, approved for the purpose of this paragraph by the Minister for Trade and Industry; and
- (iv) the person receiving the interest is the person who is beneficially entitled to receive it.

(26) the profits of a company which is an exempt company, and the dividends or interest payable by such a company to its own members, to the extent that such profits, dividends or interest are exempted under the Companies (Taxation and Concessions) Act;

(27) the income received by any trust or beneficiary under the trust where-

- (i) the trust is created by or on behalf of a non-resident persons; and
- (ii) the income either accrues or is derived outside Gibraltar, or in the case of income received by a trust would, if it had been received directly by the beneficiary, be not liable to tax under this Act; and

(iii) except in the case of a trust created before the 1st day of July 1983, the terms of the trust expressly exclude residents of Gibraltar (as defined in section 2(1) of the Companies (Taxation and Concessions) Act) as persons who either are, or may be, under any discretionary power of the trustee under the terms of the trust, a beneficiary or any class or classes of beneficiary;

(28) a grant under the Overseas Service Aid Scheme paid by Her Majesty's Government of the United Kingdom direct to an officer designated under that scheme on his appointment to service in Gibraltar;

(29) an inducement allowance or education allowance paid to an officer designated under the Overseas Service Aid Scheme;

(30) a gratuity payable by the Government under a Contract of Employment with an officer recruited from outside Gibraltar;

(31) a gratuity payable by the Government under the terms of a Contract of Employment with any officer, not being a gratuity payable under the Pensions Act or under any subsidiary legislation made under that Act;

(32) any interest received by any non-resident person, except a permitted individual, in respect of any interest received as a result of a loan made by such non-resident person to a qualifying company;

(33) any interest received by a qualifying company in respect of any loans made by that company to another qualifying company;

(34) such sum paid to an employee in lieu of the notice required to be given by an employer to terminate the Contract of Service of the employee under the provisions of section SS of the Employment Act which the Commissioner is satisfied is the only form of compensation paid to the employee by the employer upon the redundancy of the employee;

(35) any interest received by any person (whether resident or non-resident) in respect of any loan made by him to any person for the purpose of financing investment in development projects designed to promote the economic and social development of Gibraltar, where the terms and conditions of such loan have been approved for this purpose, in writing, by the Minister for Trade and Industry;

(36) the gains or profits derived by a non-resident person from his appearance as a public entertainer in Gibraltar, in any appearance of not more than 3 hours duration and not exceeding 5 such appearances in any year of assessment;

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(37) the emoluments, bounty and other grants payable from the Consolidated Fund to members of the Volunteer Reserve of the Gibraltar Regiment, under the Gibraltar Regiment Act;

(38) the emoluments paid in the United Kingdom to an individual recruited from outside Gibraltar by consultants or contractors engaged on development projects or studies financed either directly or indirectly by the Overseas Development Administration of Her Majesty's Government of the United Kingdom:

Provided that the provisions of this sub-rule shall not apply to a permitted individual;

(39) any inducement allowance or gratuity paid to an individual recruited from outside Gibraltar and employed by or seconded to a company wholly owned by the Government of Gibraltar and paid either wholly or partly out of grants and loans originating from the Overseas Development Administration of Her Majesty's Government of the United Kingdom and received either directly or indirectly by such company:

Provided that the provisions of this sub-rule shall not apply to a permitted individual;

(40) any income arising out of Gibraltar and received therein by a non-resident individual who is in Gibraltar for some temporary purpose:

Provided that such individual does not reside in Gibraltar at one or more times for a period equal in the aggregate to 6 months in the year of assessment;

(41) income to which rule 4 of the Parent and Subsidiary Company Rules 1991 applies.

Provided that nothing in this rule shall be construed to exempt in the hands of the recipients any dividends, interest, annuities, bonuses, salaries, wages, pensions or other profits paid wholly or in part out of the income so exempted, unless express provision to that effect has been made in the Act;

(42) a gratuity payable under the provisions of regulations 5(2) (d) of the Pensions Regulations.

Loans charged on Consolidated Fund.

4.(1) The Governor may by notice in the Gazette provide that the interest payable on any loan charged on the Consolidated Fund shall be exempt from tax, either generally or in respect of interest payable to non-resident persons and exempt companies, and such interest shall as from the date and to the extent specified by such notice be exempt accordingly.

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(2) Any interest which has been exempt from tax under the provisions of sub-rule (1) and which has been paid to a company which distributes such interest by way of dividend to shareholders in such company or by way of fees to the directors of such company shall, subject to the provisions of sub-rules (3) and (4) be exempt from tax when paid to such shareholders or directors.

(3) If a company which has received interest exempt from tax under the provisions of sub-rule (1) has also received income from any other source and distributes only part of its total income, whether by way of dividends or as fees to directors, then only such part of the sum received exempt from tax shall be exempt from tax on distribution as the proportion such sum bears to the company's total income.

(4) No interest received by a company exempt from tax under the provisions of sub-rule (1) shall, on distribution, be exempt from tax unless-

- (a) the distribution of such interest is made within the accounting period in which the interest is received; and
- (b) the total sum available for distribution after the deduction of the expenses of the company is distributed.

Deductions allowed.

5.(1) For the purpose of ascertaining the assessable income of any person there shall be deducted all outgoings and expenses wholly and exclusively incurred by that person in the production of the income, including-

- (a) rent and other outgoings paid by any tenant of land or buildings occupied by him for the purpose of acquiring the income:

Provided that where land or buildings are only partly occupied for that purpose the deduction shall be limited to such sum as the Commissioner may consider to be fair and reasonable;

- (b) bad debts incurred in any trade, business, profession or vocation which have become bad during the period for which the income is being ascertained, and doubtful debts to the extent that they are respectively estimated, to the satisfaction of the Commissioner, to have become bad during the said period, notwithstanding that such bad or doubtful debts were due and payable prior to the commencement of the said period:

Provided that-

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- (i) all sums recovered during the said period on account of amounts previously written off or allowed in respect of bad or doubtful debts shall, for the purposes of these Rules, be treated as receipts of the trade, business, profession or vocation for that period; and
 - (ii) the debts in respect of which a deduction is claimed were included as a trading receipt in the income of the year within which they were incurred.
- (c) such sum as the Commissioner may consider just and reasonable as representing the amount by which the value of any plant or machinery or fixtures (not being in any such case plant or machinery to which section 18 of the Act applies) or premises being entertainment centres in respect of which a valid exemption certificate under section 5 of the Gaming Act is in force, hotels, mills, factories or similar premises, has been diminished by reason of wear and tear arising out of their use or employment by the owner thereof in a trade, business or profession:

Provided that-

- (i) where any such plant, machinery or fixtures is used for the purpose of a trade, business or profession on such terms that the burden of the wear and tear falls on the user and not on the owner thereof, the former person shall, in such cases, be entitled to the deduction;
 - (ii) the amount to be deducted in respect of premises being entertainment centres in respect of which a valid exemption certificate under section 5 of the Gaming Act is in force, hotels, mills, factories or other similar premises, shall not exceed 4 per cent of the cost thereof (exclusive of the cost of the land on which the premises are erected);
 - (iii) where the person carrying on the trade or business is not the owner of the premises, the deduction may be allowed to either the former or the latter or apportioned between them in such manner as the Commissioner deems just and equitable; and
 - (iv) no deduction shall be allowed for any period if the deduction will exceed the written down value;
- (d) in the case of the expenditure by any person engaged in any trade, business, profession or vocation of any sum in replacing any plant or machinery (not being plant or machinery to which section 18 of the Act applies) which was used or employed in such trade, business, profession or vocation, and which has become

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obsolete, an amount equivalent to the written down value of the plant or machinery replaced, less any sum realised or likely to be realised by the sale thereof, or recoverable under any insurance or indemnity, or the cost of the new plant or machinery, whichever is the less:

Provided that where the sum realised or likely to be realised under the provisions of this sub-rule is greater than the written down value, there shall be no deduction allowed, and the amount by which the sum realised or likely to be realised exceeds the written down value shall be liable to tax;

- (e) any sum expended for repair of premises, plant, machinery or fixtures employed in acquiring the income, or for the repair, renewal or alteration of any implement, utensil or article so employed;

Provided that no deduction shall be made for the cost of renewal of any asset which has been the subject of a deduction under sub-rule (c) or (d) of this rule, or under section 18 of the Act;

- (f) any sums payable by way of interest upon any money borrowed, where the Commissioner is satisfied that the interest was payable on capital employed in acquiring the income:

Provided that-

- (i) except in the case of a loan approved in writing by the Minister for Trade and Industry for this purpose prior to the 1st day of March 1992, no deduction shall be allowed in respect of any interest paid in relation to a loan approved by that Minister for the purposes of rule 3(35) of these Rules;
- (ii) where the interest is paid by a non-resident person to another non-resident person, no deduction shall be allowed unless tax is deducted and accounted for to the Commissioner as if the payment was a payment to which section 40 of the Act applies;
- (g) expenses wholly, exclusively and necessarily incurred in the performance of the duties of an office or employment;
- (h) contributions by an employer to a provident or other fund for the benefit of his employees, such fund having been approved by the Commissioner:

Provided that-

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- (i) a contribution which is not an ordinary annual contribution shall be allowed as a deduction in the year in which it is paid or spread over such period of years as the Commissioner thinks proper;
 - (ii) payments made or becoming due to an employer out of funds which are or have been held by any provident or other fund of the employer shall be treated as receipts of the employer's trade, business, profession or vocation for the period in which they are paid or become due;
- (i) in the case of a company-
- (i) registered in Gibraltar, and
 - (ii) having a parent company which is neither registered in nor resident in Gibraltar; and
 - (iii) whose main income in interest received from that parent company,

such amount of expenses, calculated as a percentage of that income, as the Financial and Development Secretary may direct.

(2) Subject to the provisions of the Act and these rules, for the purpose of ascertaining the assessable income of any person no deduction shall be allowed in respect of-

- (a) domestic or private expenses;
- (b) any disbursements or expenses, not being money wholly and exclusively laid out or expended for the purpose of acquiring the income;
- (c) any capital withdrawn or any sum employed or intended to be employed as capital;
- (d) any capital employed in improvements;
- (e) any sum recoverable under an insurance or contract of indemnity;
- (f) rent of or cost of repairs to or other outgoings in connection with any premises or part of premises not paid or incurred for the purpose of producing the income;
- (g) any tax charged under this Act or any tax in respect of which relief might fall to be given under rules 26 and 27;
- (h) depreciation of any assets, save such deductions as may be admissible under this rule; or

- (i) any salaries, wages, commissions or other remuneration in respect of which the person claiming the deduction does not furnish to the Commissioner a certified statement of the names, addresses and the amounts paid in respect of such salaries, wages, commissions or other remuneration to each of the persons in respect of whom the deduction is claimed.

(3) Nothing in this rule shall be taken as permitting a deduction for any outgoings or expenses wholly or partially incurred in the production of income which is exempt from taxation under the provisions of the Parent and Subsidiary Company Rules 1991 and-

- (a) to the extent that outgoings and expenses can be identified as being incurred wholly in the production of income so exempt they shall be wholly disallowed as deductions, and
- (b) to the extent that outgoings and expenses can be identified as being incurred partly in the production of income so exempt such proportion of those outgoings and expenses as in the opinion of the Commissioner is just and reasonable shall be disallowed.

Personal Allowance.

6.(1) Save as otherwise hereinafter provided there shall be deducted from the assessable income of an individual the sum of £1,450:

Provided that the said sum of £1,450 shall be reduced by one twelfth for each complete calendar month that the individual is not resident in Gibraltar during the year of assessment.

(2) The balance of assessable income of an individual after the deduction of any further amounts which may be due to be made in accordance with these rules shall be the taxable income of such individual.

(3) Where no such deductions are due to be made under this rule or elsewhere in these rules, the assessable income of any person shall be the taxable income of such person.

Deduction for a wife.

7.(1) Save as otherwise hereinafter provided, an individual who proves to the satisfaction of the Commissioner that in the year of assessment he-

- (a) had a wife living with him or wholly maintained by him; or

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- (b) paid alimony or maintenance to a previous wife whose marriage with him had been dissolved or annulled by a court of competent jurisdiction; or
- (c) made payments in accordance with an order of court or a separation agreement to a wife from whom he is separated by such order or agreement,

shall be entitled to claim a deduction from the amount of his assessable income of either £1,350 in the case of paragraph (a) or the amount actually paid under paragraphs (b) or (c):

Provided that the deduction allowed under this sub-rule shall be reduced by one twelfth for each complete calendar month that the individual is not married and resident in Gibraltar (or, in the case of an individual who paid alimony or maintenance, who is not resident in Gibraltar) during the year of assessment.

(2) Where the total income of any claimant includes any earned income of his wife, the deduction to be allowed under sub-rule (1) shall, subject to rule 20, be increased by the amount of that earned income, or by £1,450, whichever is the lesser amount.

(3) For the purposes of sub-rule (2), "earned income" means-

- (a) income arising in respect of gains or profits derived by the wife from any trade, business, profession or vocation carried on or exercised by her, either as an individual acting personally or, in the case of a partnership, as a partner acting personally in it; and
- (b) income derived by the wife from any employment to the extent that the Commissioner is satisfied that it represents reasonable payment by way of fees, salary, wages, pension or other remuneration for services actually performed,

but does not mean any other income.

Deduction for children.

8.(1) Save as otherwise hereinafter provided, an individual who proves to the satisfaction of the Commissioner that he has maintained during the year of assessment an unmarried child who was-

- (a) under the age of 16 years at the commencement of the year of assessment; or
- (b) during the year of assessment receiving full time instruction at any university, college, school or other educational establishment; or

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- (c) during the year of assessment under articles or indentures with a view to qualifying in a trade or profession,

shall, subject to rule 20, be entitled to claim from the amount of his assessable income a deduction of £500 in respect of the first such child.

(2) An individual shall be entitled to claim the deduction referred to in sub-rule (1) in respect of the maintenance of a child born during the year of assessment:

Provided that the amount of the deduction shall be reduced by one twelfth for each complete month of that year ending before the birth of the child.

(3) Sub-rule (2) shall apply in relation to a stepchild or an adopted child as if the date on which the child has become a stepchild or an adopted child was the date of birth of that child.

(4) An individual who proves to the satisfaction of the Commissioner that in the year of assessment he has paid under an order of court or separate agreement or separate maintenance to a child, is entitled to claim a deduction from the amount of his assessable income of the amount of the alimony or maintenance actually paid.

Deduction for children educated abroad.

9. Save as otherwise hereinafter provided an individual who proves to the satisfaction of the Commissioner that-

- (a) he has maintained during the year of assessment an unmarried child who has attained the age of 16 years by the commencement of the year of assessment; and
- (b) the child was during the year of assessment receiving or undergoing outside Gibraltar any training specified in rule 8(1)(b) and (c);
- (c) the individual is ordinarily resident in Gibraltar; and
- (d) the individual is not entitled to a similar allowance or deduction in any other country in respect of the child

shall be entitled to claim from the amount of his assessable income a deduction of £560 if the child is the first child for whom he may claim a deduction and a further deduction of £450 in respect of each other child to whom this rule refers.

Deduction for disabled children in Gibraltar.

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10. Save as otherwise hereinafter provided, an individual who proves to the satisfaction of the Commissioner that he has maintained during the year of assessment an unmarried child who-

- (a) suffers from a specific bodily or mental disability; and
- (b) by reason of that disability is incapable of attending and receiving full time education at a normal school for primary or secondary education-

shall be entitled to claim from the amount of his assessable income a deduction of £800 if the child is the first child for whom he may claim a deduction, and a further deduction of £700 in respect of each other child to whom this rule refers.

Deduction for disabled children educated abroad.

11. Save as otherwise hereinafter provided, an individual who proves to the satisfaction of the Commissioner that-

- (a) he has maintained during the year of assessment an unmarried child who suffers from a specific bodily or mental disability; and
- (b) by reason of that disability is receiving full time instruction at an approved establishment outside Gibraltar specialising in the education of children suffering from such disability; and
- (c) the individual is ordinarily resident in Gibraltar; and
- (d) the individual is not entitled to a similar allowance or deduction in any other country in respect of the child

shall be entitled to claim from the amount of his assessable income a deduction of £920 if the child is the first child for whom he may claim a deduction, and a further deduction of £800 in respect of every other child to whom this rule refers.

Deduction for maintenance of children.

12. An individual who proves to the satisfaction of the Commissioner that, if a man, he is not entitled for the year of assessment to claim a deduction under rule 7, or, if a woman, that no man is entitled to make a claim in respect of her under that rule, and that he has the custody of and maintains during the year of assessment an unmarried child for whom a deduction is allowable, shall, subject to rule 20, be entitled to claim a deduction from the amount of his assessable income of £1,350:

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Provided that where a woman has the custody of and maintains such a child, she may claim a deduction under this rule, notwithstanding the fact that a claim is made in respect of her under rule 7(1)(b) or (c).

Joint Custody.

13. If it is proved to the satisfaction of the Commissioner that-

- (a) the parents of a child are legally separated; and
- (b) the father of the child is not entitled to claim a deduction under rule 7(1)(b) or (c); and
- (c) both parents have the custody of and maintain the child (irrespective of which parent has care and control),

then, subject to rule 20, each parent shall be entitled to a deduction from his or her assessable income of one half of the amount specified in rule 12.

Provided that if one of the parents dies during a year of assessment then-

- (i) the amount of the deduction to which the deceased was entitled under this rule shall be reduced by one twelfth for each complete month of that year after the date of the death; and
- (ii) the amount by which the amount of that deduction is reduced shall be added to the amount of the deduction which the surviving parent is entitled to claim under this rule.

Exceptions for certain children.

14.(1) An individual shall not be entitled-

- (a) to claim any deduction under rules 8, 9, 10, and 11 in respect of any child who is not resident in Gibraltar unless the child is a child of the individual; or
- (b) to claim a deduction under more than one of those rules in respect of the same child, and notwithstanding those rules-
 - (i) no deduction shall be allowed under any such rules in respect of any child whose total income in his own right, exclusive of any income to which the child is entitled as the holder of a scholarship, bursary or other

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educational allowance, exceeds the amount of the deduction specified in that particular rule; and

- (ii) where, but for this paragraph, two or more persons are entitled to claim a deduction under any such rules in respect of the same child, the Commissioner may apportion the relief on such basis as appears to him to be fair and reasonable in all the circumstances of the case, and so that the aggregate of the deductions allowed does not exceed the amount specified in those rules.

(2) The Commissioner may consult either the Director of Education or the General Manager of the Gibraltar Health Authority, as the case may require, on any matter arising out of a claim to a deduction under any of the rules specified in sub-rule (1)(a).

Apprentices.

15.(1) An individual who proves to the satisfaction of the Commissioner that during the year of assessment he was an apprentice, shall be entitled to claim a deduction from the amount of his assessable income of £300.

Provided that the sum of £300 shall be reduced by one twelfth for each complete calendar month that the individual is not resident in Gibraltar during the year of assessment.

(2) For the purposes of this rule, an apprentice means a person who is bound by a written contract approved by the Industrial Training Board or the Gibraltar Official Employers Apprentices Board to serve an employer for a determined period with a view to acquiring knowledge, including theory and practice, of a trade in which the employer is reciprocally bound to instruct that person.

Deduction for persons over 65 years.

16.(1) Where an individual proves to the satisfaction of the Commissioner that at any time during the year of assessment, either he or, if he is married and his wife is living with him or wholly maintained by him, his wife is of the age of 65 years or more, he shall, in addition to the deductions provided for elsewhere in these rules, be entitled to a deduction from his assessable income of-

- (a) in the case where he is married and his wife is living with him or wholly maintained by him, £450; and
- (b) in any other case £320;

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and in every case, to a further deduction of 15 per cent of the amount by which his assessable income is less than £4,500; but in the case of an individual to whom paragraph (a) of this subrule applies, his wife shall not herself be entitled to any deduction under this rule.

(2) Any deduction allowable under subrule (1) shall be reduced by one twelfth for each complete calendar month that the individual is not resident in Gibraltar.

(3) Subrule (2) shall not apply to the assessable income of an individual who is not resident in Gibraltar, where that assessable income includes income from a pension accruing in or derived from Gibraltar.

Deduction for blind persons.

17. Save as otherwise hereinafter provided, an individual who proves to the satisfaction of the Commissioner by the production of a certificate signed by a qualified medical practitioner that he or his wife has effectively lost his or her sight shall, subject to rule 20, be entitled to claim a deduction from the amount of his assessable income of £250.

Deduction in respect of dependent relatives.

18. Save as otherwise hereinafter provided, an individual who proves to the satisfaction of the Commissioner that during the year of assessment he maintained at his own expense any person, being a relative of his or of his wife who 'is incapacitated by old age or infirmity from maintaining himself, or his or his wife's widowed mother, whether incapacitated or not, and being a person whose total income from all sources does not exceed £1,450 a year, shall subject to rule 20 be entitled to claim a deduction of £100 in respect of each such person from the amount of his assessable income:

Provided that-

- (a) if the total income from all sources of the person maintained exceeds £1,300 a year, the deduction shall be reduced by the amount of the excess;
- (b) where two or more individuals jointly maintain any such person, the deduction to be made under this rule shall be apportioned between them in proportion to the amount or value of their respective contributions towards the maintenance of that person;
- (c) a deduction shall not be allowed under this rule to any individual for any year of assessment in respect of more than two such persons; and
- (d) where the dependent is ordinarily resident in Gibraltar the deduction which may be claimed shall be £150.

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Deduction in respect of services of unmarried daughters.

19. Save as otherwise hereinafter provided, an individual who proves to the satisfaction of the Commissioner that, being a widower and not entitled for the year of assessment to claim a deduction in respect of any wife he is compelled to depend upon the services of an unmarried daughter resident with and maintained by him shall, subject to rule 20 be entitled to claim a deduction from the amount of his assessable income of £200:

Provided that no allowance shall be allowed in respect of an unmarried daughter whose total income in her own right, exceeds £200.

Effect of non residence.

20. The deductions allowable under 7(2), 8(1), 12, 13, 17, 18 and 19 shall be reduced by one twelfth for each complete calendar month that the individual claiming the deduction is not resident in Gibraltar during the year of assessment.

Deduction in respect of life assurance premiums etc.

21.(1) Save as otherwise hereinafter provided, an individual who has made assurance on his life or the life of his wife with an Assurance Company or who, for the purposes of providing a pension for himself or his widow and children, contributes to a pension scheme or to a provident society or fund approved by the Commissioner, other than in the case of a statutory Pension Scheme, or who prior to 1st July 1993 made contributions under any legislation relating to social insurance which provides for the payment of pensions, shall be entitled to claim a deduction from the amount of his assessable income of the amount of the premium or contribution, or both, payable during the year of assessment for such assurance or contribution:

Provided that-

- (a) in the case of a policy securing a capital sum at death, whether in conjunction with any other benefit or not, the amount of the deduction shall not exceed seven per cent of the capital sum, exclusive of any additional benefit by way of bonus or otherwise; and
- (b) the total deductions which may be allowed under this rule to any individual shall not exceed one sixth part of the assessable income of that individual for that year of assessment;
- (c) an individual who prior to the dissolution on 31 st December 1993 of the Social Insurance (Pensions) Fund was entitled, by virtue of contributions to that Fund,

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to claim a deduction under this section or who 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 to which he would have been entitled by virtue of the provisions of this sub-section had that Fund not been dissolved.

(2) Any deduction allowable under subrule (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.

(3) Where a premium is paid by a wife out of her separate income in respect of an assurance on her own life or on the life of her husband, the same deduction may be claimed as if the premium was a premium paid by her husband for an assurance made on his own life.

Deduction in respect of loan interest.

22.(1) Subject to sub-rules (2) and (3) any interest paid by a person, or his wife living with him, on a loan, or loans, to defray money applied in constructing, purchasing or on improving or developing a property which he or they occupy or will occupy in Gibraltar for residential purposes shall, at the election by the person by whom the interest was paid, be deducted from the assessable income of that person or of his wife or both, in the proportion of 50 per cent each:

Provided that-

- (a) the aggregate of the loans in respect of which relief on interest is claimed under this rule, shall not exceed either the purchase price, construction price, development cost or improvement cost of the property as the case may be; and
- (b) in the case of the construction of a property, the property is subsequently occupied by the person or persons claiming relief in respect of interest on a loan to finance the construction, on the issue of the certificate of fitness in respect of that property under section 55 of the Public Health Act; or
- (c) in the case of a bridging loan to finance instalments payable either before or during the construction period on account of the purchase price of a property to be acquired from a developer in accordance with a purchase agreement, the property is subsequently occupied by the person or persons claiming relief in respect of the interest on the bridging loan on the execution of the lease or underlease in respect of the property; and
- (d) where relief has been claimed on interest on a loan to finance the construction of a property or to finance instalments payable either before or during the

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construction period on account of the purchase price of a property to be acquired from a developer in accordance with a purchase agreement and the property or interest in the property under construction is sold or otherwise disposed of before the property has been occupied by the claimant or claimants, then, unless the proceeds from sale are utilised within a 12 month period of the date on which it is sold or otherwise disposed of for the purpose of constructing or purchasing (and improving or developing the property so purchased) a property in Gibraltar for occupation by the claimant or claimants for residential purposes, any tax which would have been payable by the claimant or claimants for any year of assessment, were it not for the relief on interest claimed, will become due and payable to the Commissioner within thirty days from the expiry of such period of 12 months;

- (e) where a loan made for the purpose of and at the time of the purchase exceeds the amount outstanding on the purchase at the time of the purchase but does not exceed the purchase price and is secured on the property, interest on that loan shall be deemed to be interest which may be deducted in accordance with the provisions of this sub-rule.

(2) Sub-rule (1) shall not apply-

- (a) where the seller and purchaser are the husband and his wife and either sells to the other;
- (b) where the purchasers are the trustees of a settlement and the seller is the settlor or the wife or husband of the settlor and it appears that the main purpose of the purchase is to obtain relief in respect of interest on the loan;
- (c) where in the opinion of the Commissioner the price substantially exceeds the value of what is acquired or the cost of improvement, development or construction; or
- (d) where the purchaser, within twelve months of obtaining the legal estate of the property constructed, purchased, improved or developed by a loan in respect of which the purchaser claims relief on interest payments in accordance with sub-rule (1)-
 - (i) sells or disposes (otherwise done by way of mortgage) of its interest therein; or
 - (ii) fails or ceases to use such dwelling for his own residential accommodation, and if the provisions of sub-rule (21) have been applied contrary to the provisions of this sub-rule in any year of assessment, the

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Commissioner may make an amended or additional assessment to bring the amount of such a deduction to charge in accordance with the provisions of section 74 of the Act:

Provided that this paragraph shall not apply where the purchaser ceases by reason of his death to occupy such a property for his residence and the property continues to be occupied by his spouse.

(3) Any interest paid by a person or his wife living with him on a loan or loans to defray money applied in constructing or purchasing a residential property or for the purpose of providing bridging finance in connection with the acquisition of a residential property either to be constructed or under construction in Gibraltar for occupation by a child of theirs or his or hers shall, at the election of the person by whom interest was paid, be deducted from the assessable income of that person or his wife or both, in the proportion of 50 per cent each:

Provided that-

- (a) the aggregate of the loans in respect of which relief on interest is claimed, shall not exceed the construction cost or purchase price of the property as the case may be;
- (b) if the property or interest in the property to be constructed or under construction is sold or otherwise disposed of before occupation by such a child, then unless the proceeds from sale are utilised within a 12 months period of the date on which the property is sold or otherwise disposed of for the purpose of acquiring another property in Gibraltar for residential occupation by such a child, then any tax which would have been payable for any year of assessment by the person to whom relief on interest has been granted in accordance with the provisions of this sub-rule were it not for the relief on interest granted in respect of years of assessment, will become due and payable to the Commissioner within thirty days from the expiry of such period of 12 months;
- (c) no relief will be available for any year of assessment during which the property has been occupied for any period of time by any person other than such a child.

Deduction in respect of certain investments.

23.(1) There shall be deducted from the assessable income of a person in any year of assessment any amount invested by him during that year by way of a purchase of shares or otherwise in any such Company of which the Government is a member, and subject to such conditions as the Governor may, in the exercise of his discretion, prescribe from time to time.

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(2) For the avoidance of doubt it is hereby declared that where an amount is deducted from the assessable income in accordance with subrule (1) no deduction or allowance shall be made in respect of that amount under any other provision of these rules.

Deductions for non resident individuals.

24.(1) Any person who is-

- (a) the director of a company which is an exempt company who is non resident in Gibraltar; or
- (b) a non resident British subject; or
- (c) a non resident individual, whether or not a British subject, who is in receipt of a pension accruing in Gibraltar,

shall be entitled to the deductions, allowances and reliefs set out in rules 6 to 21 of these rules as if he was resident in Gibraltar throughout the basis period:

Provided that no such allowances, deductions, or reliefs shall be given so as to reduce the amount of tax payable by him below the amount which bears the same proportion to the amount which would be payable by him by way of tax if the tax is chargeable upon his total income from all sources (including income which is not subject to tax chargeable in Gibraltar) as the amount of income subject to tax so charged, bears to the amount of his income from all sources.

(2) For the purposes of the proviso to subrule (1) of this rule, double taxation relief shall be left out of account in computing-

- (a) the amount of tax payable by an individual; and
- (b) the amount which would be payable by him by way of tax if the tax is chargeable on his total income from all sources, including income which is not subject to tax charged in Gibraltar.

Election by husband.

25.(1) An individual other than an individual in respect of whom a certificate issued under rule 2 of the Rates of Tax (Relocated Executive Possessing Specialist Skills) Rules 1992 is in effect, who proves to the satisfaction of the Commissioner that in the year of assessment the income from employment of his wife living with him is greater than his, may elect not to claim any deductions under the provisions of rules 7 to 13 and 16 to 22 of these rules, and the Home Purchase (Deductions) Rules 1989.

(2) Where an individual has made an election pursuant to subrule (1) of this rule, his wife, living with him, shall be entitled to any deductions to which her husband would have been entitled under rules 7 to 13 and 16 to 22 of these rules, and the Home Purchase (Deductions) Rules 1989.

Relief in respect of United Kingdom income tax.

26.(1) Any person resident in Gibraltar who has paid, by deduction or otherwise, or is liable to pay, tax under the Act in respect of any income derived from sources within Gibraltar or within the United Kingdom, and who proves to the satisfaction of the Commissioner that he has paid by deduction or otherwise, or is liable to pay income tax in the United Kingdom in respect of the same income, shall be entitled to relief from tax under the Act paid or payable by him in respect of that income of an amount equal to the lesser of the two following amounts-

- (a) the tax under the Act in respect of the said income; or
- (b) the income tax in the United Kingdom in respect of that income:

Provided that where any relief from income tax, profits tax or excess profits levy in the United Kingdom is allowable under the provisions of section 790 of the Income and Corporation Taxes Act 1988, or any statutory modification or re-enactment for the time being in force, in respect of tax paid under the Act in respect of the said income, the amount of the relief under this rule shall be reduced by the amount of that relief in the United Kingdom.

(2) For the purposes of this rule the amount of the income tax in the United Kingdom in respect of any income shall be calculated without any reduction on account of any relief allowable under the provisions of section 790 of the Income and Incorporation Taxes Act 1988, or any statutory modification or re-enactment for the time being in force, in respect of tax paid under the Act, and a certificate issued in any particular case by or on behalf of the Commissioners of Inland Revenue in the United Kingdom shall be receivable in evidence to show the said amount or the amount of any relief from income tax or corporation tax which is allowable in the United Kingdom under the said provisions.

(3) For the purposes of this rule the amount of the tax under the Act in respect of any income for any year of assessment shall be taken to be an amount which bears the same relation to the total amount of the tax paid or payable under the Act for that year (before the deduction of any relief granted under this rule or rule 27) as the amount of the said income charged to tax for that year bears to the total amount of the income in respect of which the tax paid or payable has been charged, except that where the income which is the subject of a claim to relief under this rule is computed by reference to the provisions of section 49 of the

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Act on an amount other than the ascertained amount of the actual profits the amount of the tax under the Act in respect of that income shall be determined by the Commissioner.

(4) Any claim to relief under this rule shall be made not later than 6 years after the end of the year of assessment to which it relates.

(5) Where the amount of any relief given under this rule is rendered excessive or insufficient by reason of any adjustment of the tax paid or payable under the Act, or of the amount of the income tax in the United Kingdom, or of the amount of any relief from income tax or corporation tax in the United Kingdom in respect of tax paid under the Act, nothing in the Act limiting the time for the making of assessments or claims for relief shall apply to any assessment or claim to which the adjustment gives rise, being an assessment or claim made not later than 6 years from the time when all such assessments, adjustments and other determinations have been made, whether in Gibraltar or in the United Kingdom, as are material in determining whether any, and if so what relief falls to be given.

Relief in respect of Commonwealth income tax.

27.(1) Subject to the provisions of subrule (3), if any person resident in Gibraltar who has paid, by deduction or otherwise, or is liable to pay tax under the Act for any year of assessment on any part of his income, proves to the satisfaction of the Commissioner that he has paid, by deduction or otherwise, or is liable to pay Commonwealth income tax for that year in respect of the same part of his income, he shall be entitled to relief from tax in Gibraltar paid or payable by him on that part of his income at a rate thereon to be determined as follows-

- (a) if the rate of Commonwealth income tax does not exceed one half of the rate of tax appropriate to his case under the Rates of Tax Rules 1989, the rate at which relief is to be given shall be the rate of Commonwealth income tax; and
- (b) in any other case the rate at which relief is to be given shall be half the rate of tax appropriate to his case under the Rates of Tax Rules 1989.

(2) Subject to the provisions of subrule (3), if any person not resident in Gibraltar who has paid, by deduction or otherwise, or is liable to pay tax under the Act for any year of assessment on any part of his income, proves to the satisfaction of the Commissioner that he has paid, by deduction or otherwise, or is liable to pay Commonwealth income tax for that year of assessment in respect of the same part of his income, he shall be entitled to relief from tax paid or payable by him under the Act on that part of his income, at a rate to be determined as follows-

- (a) if the rate of Commonwealth income tax appropriate to his case does not exceed the rate of tax appropriate to his case under the Rates of Tax Rules 1989, the rate

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at which relief is to be given shall be one half of the rate of Commonwealth income tax; and

- (b) if the rate of Commonwealth income tax appropriate to his case exceeds the rate of tax appropriate to his case under the Rates of Tax Rules 1989, the rate at which relief is to be given shall be equal to the amount by which the rate of tax appropriate to his case under those Rules exceeds one half of the rate of Commonwealth income tax.

(3) No relief shall be granted in accordance with the provisions of subrules (1) or (Z) in respect of Commonwealth income tax charged in any part of the Commonwealth, unless the legislature there has provided for relief in respect of tax charged on income both there and in Gibraltar in a manner similar to that provided in this rule.

(4) For the purposes of this rule "rate of tax" when applied to tax paid or payable under the Act, means the rate determined by dividing the amount of tax paid or payable for the year (before the deduction of the relief granted under this rule) by the amount of the income in respect of which the tax paid or payable under the Act has been charged for that year, except that where the income which is the subject of a claim to relief under this rule is computed by reference to the provisions of the Act on an amount other than the ascertained amount of the actual profits, the rate of tax shall be determined by the Commissioner, and the rate of Commonwealth income tax shall be determined in a similar manner.

(5) Where a person is for any year of assessment resident both in Gibraltar and in a part or place in which Commonwealth income tax is charged, he shall, for the purposes of this rule, be deemed to be resident where during that year he resides for the longer period of time.

Relief in respect of tax paid elsewhere on consultancy services.

27A. Where, in accordance with section 66(1), tax is to be deducted and paid to the Commissioner, and where the agreement referred to in that section is to be performed elsewhere than in Gibraltar, the Commissioner may, in his discretion and if he is satisfied that the payment will bear income tax or tax of a similar nature in the country where the agreement has been made or is to be performed, relieve the person responsible for making the payment from making the deduction required by section 66(2).

Double taxation relief for Public Investment Companies.

28.(1) A company which is a Public Investment Company as defined in subrule (4) of this rule, and which proves to the satisfaction of the Commissioner that the investment income of the company has borne income tax or tax of a similar nature in the country where the income has accrued, shall be entitled to relief from tax under the provisions of the Act in respect of that income of an amount equal to the lesser of the two following amounts-

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- (a) the tax under the Act in respect of the said income; or
- (b) the tax in the other country in respect of that income:

Provided that-

- (i) where in any year of assessment the total amount of tax deducted by the company from dividends or interest paid by it to shareholders, loan holders or debenture holders resident in Gibraltar during that year is greater than the amount of tax paid by the company to the Commissioner for that year by deduction or otherwise in respect of earnings of the company, the company shall forthwith account for and pay over to the Commissioner the difference between the total amount of tax paid and the total amount of tax deducted from the dividends or interest paid by the company to shareholders, loan holders or debenture holders resident in Gibraltar;
- (ii) for the purpose of arriving at the amount of tax paid by the company to the Commissioner by deduction or otherwise in respect of earnings of the company, no account shall be taken of any tax so paid by the company on income derived from or accruing in Gibraltar.

(2) For the purpose of this rule, a person shall be deemed to be interested in a share, loan or debenture if he holds any interest therein other than as a bare nominee or trustee thereof, either directly or indirectly or through a company or series of companies, and whether such interest is equitable, legal or contractual, or if by reason of any arrangement or agreement with any other person he has the right to acquire an interest therein, as herein defined, all the power to enjoy a dividend or other benefit thereof:

Provided that a person shall not be deemed to be interested in a share, loan or debenture by reason of his holding it, or any interest therein, if he is acting in a representative or fiduciary capacity only, notwithstanding that he may be entitled to remuneration for so acting or may have a charge or lien thereon for such remuneration.

(3) Any company electing to, receive relief under subrule (1) shall deduct, in accordance with sections 39 or 40 of the Act (as the case requires), from the amount of any dividend or interest paid tax at the standard rate in force at the date the dividend is declared or interest became payable, double taxation relief being left out of account and in the case of dividends or interest paid to shareholders, loan holders or debenture holders not resident in Gibraltar the amount so deducted shall be retained by the company as double taxation relief.

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(4) A Public Investment Company is a company resident in Gibraltar which carries on as its principal business the buying, selling and holding of securities quoted on a recognised Stock Exchange, and which in a manner satisfactory to the Financial and Development Secretary arranges for the shares of the company to be quoted and made available for purchase in Gibraltar by members of the public. A company which satisfies all the provisions of this subrule, save that its shares are not quoted and made available for purchase in Gibraltar by members of the public, shall be a Public Investment Company if it is a subsidiary of a Public Investment Company which satisfies all the provisions of this subrule.

(5) Sections 39, 42 and 43 of the Act, and rules 26 and 27 of these rules shall not apply to a Public Investment Company, to which this rule relates.

Deductions subject to return of income being made and proof of claim.

29. No deductions or allowances provided for by these rules shall be granted, nor shall tax be charged at less than the standard rate, unless a person makes a return of income on the proper form and claims the deductions and allowances to which he contends he is entitled, and the claim contains such particulars, and is supported by such proof as the Commissioner may require:

Provided that in the case of a non resident individual who is in receipt of a pension accruing in or derived from Gibraltar, or the non resident director of an exempt Company, it shall not be necessary for a return of income to be made before the allowance provided under rules 6 and 16 is granted, and tax charged at the rates applicable to an individual.

Amendment to Act.

30. Pursuant to the provisions of section 37A(3) of the Act, the following amendments are hereby made-

- (a) in section 6(1)(b) by omitting the expression "section 16 (g)" and substituting therefor the expression "rule 5(g) of the Income Tax (Allowances, Deductions and Exemptions) Rules 1992";
- (b) in section 6A(1) by omitting the expression "under sections 16(h) or 33" and substituting the expression "rules 5(h) or 21 of the Income Tax (Allowances, Deductions and Exemptions) Rules, 1992";
- (c) in section 10(4)-
 - (i) by omitting the expression "section 26(2)" and substituting therefor the express "rule 7(2) of the Income Tax (Allowances, Deductions and Exemptions) Rules 1992";

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- (ii) by omitting the expression "section 7(1) (c)" and substituting therefor the expression "rule 3(3) of the Income Tax (Allowances, Deductions and Exemptions) Rules 1992";
- (d) in section 10(5) by omitting the expression "sections 26 to 31" and substituting therefor the expression "rules 7 to 14, 17 to 19 and 23 of the Income Tax (Allowances, Deductions and Exemptions) Rules 1992";
- (e) in section 34(3) by omitting the expression "the proviso to section 37 applies, and shall be entitled to the deductions, allowances and reliefs set out in sections 23 to 26, 27 to 30, 32, and 33", and substituting therefor the expression "section 37 and rules 6 to 21 of the Income Tax (Allowances, Deductions and Exemptions) Rules 1992 apply,";
- (f) in section 39(5) by omitting the expression "sections 44 or 45" and substituting therefor the expression "rules 26 or 27 of the Income Tax (Allowances, Deductions and Exemptions) Rules 1992";
- (g) in section 40(1A) by omitting the expression "sub-section (1)(tf) of section 7" and substituting therefor the expression "rule 3(35) of the Income Tax (Allowances, Deductions and Exemptions) Rules 1992";
- (h) in section 43 by omitting the expression "sections 44 or 45" and substituting therefor the expression "rules 26 or 27 of the Income Tax (Allowances, Deductions and Exemptions) Rules 1992";
- (i) in section 49(1) by omitting the expression "section 34" and substituting therefor the expression "rule 24 of the Income Tax (Allowances, Deductions and Exemptions) Rules 1992";
- (j) in section 54 by omitting subsection (2) and substituting therefor the following new sub-section-

"(2) In assessing the income of a deceased person, any deduction allowable under any of the provisions of rules 6 to 12 and 15 to 19 of the Income Tax (Allowances, deductions and Exemptions) Rules 1992 shall be reduced by one twelfth for each complete calendar month that the date of demise preceded the end of the year of assessment".

Repeal and Revocation.

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31.(1) Pursuant to the provisions of section 37A(3) of the Act, sections 7, 16, 17, 19, 23, 24, 25, 26, 26B, 27,28, 29, 30, 32, 33, 34(1) and (2), 34A, 35, 44, 45, 46 and 66(3) of the Act are hereby repealed.

(2) The Income Tax (Deduction for Maintenance of Children) Rules 1992 are revoked.