

**SECOND SUPPLEMENT TO THE GIBRALTAR
GAZETTE
No. 4152 of 5 March, 2015**

LEGAL NOTICE NO. 32 OF 2015.

INCOME TAX ACT 2010

**INCOME TAX (ALLOWANCES, DEDUCTIONS AND
EXEMPTIONS) (AMENDMENT) RULES 2015**

In exercise of the powers conferred on him by sections 24, 25 and 72 of the Income Tax Act 2010, and all other enabling powers, the Minister has made the following Rules—

Title and commencement.

1.(1) These Rules may be cited as the Income Tax (Allowances, Deductions and Exemptions) (Amendment) Rules 2015.

(2) This rule and rule 2(1) come into operation on the date of publication.

(3) Rule 2(3), 2(5), 2(21)(a) shall be deemed to have come into operation on 1 July 2011.

(4) Rule 2(2)(a) and (d), 2(4), 2(7), 2(8), 2(10)(a), 2(12)(a) and (d), 2(13)(a) and (b), 2(15), 2(19)(a), 2(21)(b) and 2(22) shall be deemed to have come into operation on 1 July 2012.

(5) Rule 2(2)(b) and (e), 2(6)(a), 2(9)(a), 2(10)(b), 2(11)(a), 2(12)(b), 2(13)(c) and (d); 2(14)(a); 2(16), 2(18)(a), 2(19)(b) and 2(23) shall be deemed to have come into operation on 1 July 2013.

(6) Rule 2(2)(c), 2(6)(b), 2(9)(b), 2(10)(c) and (d), 2(11)(b), 2(12)(c), 2(13)(e) and (f), 2(14)(b), 2(17), 2(18)(b), 2(19)(c), 2(20) and 2(24) shall be deemed to have come in to operation on 1 July 2014.

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

2.(1) The Income Tax (Allowances, Deductions and Exemptions) Rules, 1992 are amended in accordance with the provisions of this Rule.

(2) Rule 3 is amended—

- (a) in subrule (46) by substituting the words “£1,120 or as the case may be, £2,500 in respect of an employee who elects to be chargeable under the Gross Income Based System for the purposes of rule 3A of the Rates of Tax Rules, 1989, less any sum claimed by the employee under rule 20A, or as the case may be rule 20B, in any year of assessment” for “£1,120 less any sum claimed by the employee under rule 20A, in any year of assessment”;
- (b) in subrule (46) by substituting “£2,000” for “£1,500”;
- (c) in subrule (46) by substituting the words “£4,000 or as the case may be, £2,500 in respect of an employee who elects to be chargeable under the Gross Income Based System for the purposes of rule 3A of the Rates of Tax Rules, 1989, less any sum claimed by the employee under rule 20A, or as the case may be rule 20B, in any year of assessment” for “£2,000 less any sum claimed by the employee under rule 20A, in any year of assessment”;
- (d) by inserting the following subrule after subrule (52)—
 - “(53) The earned income received by an individual who suffers from a specific bodily or mental disability and is in receipt of a disability allowance paid by the Government.”; and
- (e) by inserting the following subrule after subrule (53)-
 - “(54) the income received by the instructors of the army cadets in respect of the provision of training and any other related services to such Cadets.”.

(3) By substituting the following rule for rule 3A—

“Treatment of specified pension income.

3A.(1) Subject to the provisions of section 14A of the Act, this rule applies where an individual receives a pension from any statutory pension scheme or provident or other fund approved by the Commissioner and that individual is—

- (a) aged 60 or over; or
 - (b) compulsorily retired at age 55 or over by operation of section 8(2) of the Pensions Act.
- (2) Any pension to which subrule (1) applies shall be taxed at the rate of 0%.
- (3) Where an individual to whom this rule applies receives pension income specified in subrule (1), and any other chargeable income, that individual shall be assessed to tax in the following manner—
 - (a) the pension income at the rate of 0%;
 - (b) the entirety of any such other chargeable income less any allowances and deductions due to the individual as may be apportioned under these Rules, in accordance with the bandings prescribed in the Rates of Tax Rules 1989.”.
- (4) Rule 3A is amended by substituting the following subrule for subrule (1)—

“3A.(1) Subject to the provisions of section 14A of the Act, this rule applies where an individual receives a pension from any statutory pension scheme or provident or other fund approved by the Commissioner and that individual is—

 - (a) aged 60 or over;
 - (b) compulsorily retired at age 55 or over by operation of section 8(2) of the Pensions Act; or
 - (c) retired at age 55 or over from the Royal Gibraltar Regiment established under the Royal Gibraltar Regiment Act.”.
- (5) By revoking rule 3B.
- (6) Rule 6(1) is amended—

- (a) by substituting “£3,000” for “£2,812”; and
- (b) by substituting “£3,100” for “£3,000”.

(7) By substituting the following rule for rule 6A–

“Limitation on entitlement to claim allowances and deductions under Allowances Based System for individuals.

6A. Subject to these Rules and to rule 3A of the Rates of Tax Rules, 1989, an individual who elects to be chargeable under the Gross Income Based System shall not be entitled to claim the deductions specified in rule 6, 7, 7A, 8, 9, 12, 13, 14, 14A, 15, 16, 16A, 16B, 16C, 17, 18, 19, 20A, 21 and 21A.”.

(8) Rule 6B is amended by substituting the following subrule for subrule (1)–

“6B.(1) Subject to these Rules and to rule 3A of the Rates of Tax Rules, 1989, an individual who has a spouse that has elected to be chargeable under the Gross Income Based System shall not be entitled to claim the deductions specified in rule 6, 7, 7A, 8, 9, 12, 13, 14, 14A, 15, 16, 16A, 16B, 16C, 17, 18, 19, 20A, 21, 21A, 23 and 25.”.

(9) Rule 7 is amended–

- (a) by substituting “£3,000” for “£2,632” in the two places where it occurs; and
- (b) by substituting “£3,100” for “£3,000” in the two places where it occurs.

(10) Rule 7A(1) is amended–

- (a) by substituting the following paragraph for paragraph (c)–
 - “(c) by reason of that disability the parent or individual is in receipt of a disability allowance paid by the Government,”; and
- (b) by substituting “£5,000” for “£2,724”.

(c) by substituting the following paragraph for paragraph (c)–

“(c) the Director of Social Services confirms that, notwithstanding that the 5 year residency period may not have been satisfied, by reason of that disability the parent or individual would be eligible for a disability allowance paid for by the Government,”;
and

(d) by substituting “£6,000” for “£5,000”.

(11) Rule 12 is amended–

(a) by substituting “£3,000” for “£2,632”; and

(b) by substituting “£4,000” for “£3,000”.

(12) Rule 14A is amended–

(a) by substituting the following subrule for subrule (1)–

“14A.(1) An ordinarily resident individual who proves to the satisfaction of the Commissioner that in a year of assessment he has a child who attends an independent nursery school in Gibraltar for the full school year ending in the year which immediately follows the year of assessment shall be entitled to claim for that year of assessment an allowance in the amount of £2,000.”;

(b) in subrule (1) by substituting “£3,000” for “£2,000”;

(c) in subrule (1) by substituting “£4,000 per child” for “£3,000”;
and

(d) in subrule (2)–

(i) substitute “(1)” for “(1)(a)”; and

(ii) substitute “(1)” for “(1)(b)”.

(13) Rule 16B is amended–

- (a) in subrule (1) by substituting “£5,300” for “£4,000”;
 - (b) in subrules (1) and (2) by substituting “£9,000” on both occasions “£8,000” appears;
 - (c) in subrule (1) by substituting “£6,112” for “£5,300”;
 - (d) in subrules (1) and (2) by substituting “£10,000” on both occasions “£9,000” appears;
 - (e) in subrule (1) by substituting “£6,512” for “£6,112”; and
 - (f) in subrules (1) and (2) by substituting “£10,500” on both occasions “£10,000” appears;
- (14) In the title and in rule 16C(1) and (2)-
- (a) for the figure “£3,700” substitute the figure “£3,888” on the 3 occasions the figure appears;
 - (b) for the figure “£3,888” substitute the figure “£3,988” on the 3 occasions the figure appears.
- (15) By inserting the following rule after rule 16D-

“Special tax treatment of an individual on low income.

- 16E.(1) An individual who has income of £9,000 or less shall not be subject to tax.
- (2) An individual who has income of more than £9,000 but does not exceed £19,501, shall have his assessed liability to tax reduced by way of relief (reduced taper relief) in the form and manner specified in subrule (3) and determined by the formula-

$$T \text{ (reduced taper relief)} = T_0 - [0.4 \times (I - L)]$$

Where-

T is the reduced taper relief available on the amount or value of assessable income

I is the amount or value of assessable income

L is the lowest figure of the applicable income range

T₀ is the full taper relief available on the lowest figure of the income range.

- (3) For the purposes of subrule (2)–
- (a) where an individual has income exceeding £9,000 but does not exceed £9,749 (income range), L is £9,001 and T₀ is £299.60;
 - (b) where an individual has income exceeding £17,501 but does not exceed £17,784 (income range), L is £17,501 and T₀ is £113.60;
 - (c) where an individual has income exceeding £18,501 but does not exceed £18,814 (income range), L is £18,501 and T₀ is £125.60;
 - (d) where an individual has income exceeding £19,501 but does not exceed £19,874 (income range), L is £19,501 and T₀ is £149.60.
- (4) The Commissioner may issue tax tables as are appropriate for the purposes of determining the reduced taper relief calculated under the formula in subrule (2).”.

(16) For rule 16E substitute–

“Special tax treatment of an individual on low income.

16E.(1) An individual who has income of £10,000 or less shall not be subject to tax.

- (2) Subject to subrule (3) below, an individual who has income of more than £10,000 but does not exceed £19,799, shall have his assessed liability to tax reduced by way of relief (reduced taper relief) determined by the formula–

$$T \text{ (reduced taper relief)} = T_0 - [0.4 \times (I - L)]$$

Where—

T is the reduced taper relief available on the amount or value of assessable income

I is the amount or value of assessable income

L is the lowest figure of the applicable income range

T₀ is the full taper relief available on the lowest figure of the income range.

(3) For the purposes of subrule (2) above—

(a) where an individual has income exceeding £10,000 but does not exceed £11,237 (income range), L is £10,001 and T₀ is £494.80;

(b) where an individual has income exceeding £17,500 but does not exceed £17,727 (income range), L is £17,501 and T₀ is £90.80;

(c) where an individual has income exceeding £18,500 but does not exceed £18,752 (income range), L is £18,501 and T₀ is £100.80;

(d) where an individual has income exceeding £19,500 but does not exceed £19,799 (income range), L is £19,501 and T₀ is £119.60.

(4) The Commissioner may issue tax tables in such form and manner as is appropriate for the purposes of determining the reduced taper relief calculated under the formula in subrule (2) above.”.

(17) For rule 16E substitute—

“Special tax treatment of an individual on low income.

16E.(1) An individual who has income of £10,500 or less shall not be subject to tax.

(2) Subject to subrule (3) below, an individual who has income of more than £10,500 but does not exceed £20,229, shall have his assessed liability to tax reduced by way of relief (reduced taper relief) determined by the formula—

$$T \text{ (reduced taper relief)} = T0 - [0.4 \times (I - L)]$$

Where—

T is the reduced taper relief available on the amount or value of assessable income

I is the amount or value of assessable income

L is the lowest figure of the applicable income range

T0 is the full taper relief available on the lowest figure of the income range.

(3) For the purposes of subrule (2) above—

(a) where an individual has income exceeding £10,500 but does not exceed £11,794 (income range), L is £10,501 and T0 is £518.00;

(b) where an individual has income exceeding £17,500 but does not exceed £17,671 (income range), L is £17,501 and T0 is £68.00;

(c) where an individual has income exceeding £18,500 but does not exceed £18,688 (income range), L is £18,501 and T0 is £75.20;

(d) where an individual has income exceeding £19,500 but does not exceed £19,725 (income range), L is £19,501 and T0 is £90.00.

(4) The Commissioner may issue tax tables in such form and manner as is appropriate for the purposes of determining the reduced taper relief calculated under the formula in subrule (2) above.”.

(18) Rule 17 is amended—

- (a) by substituting “£3,000” for “£627”;
- (b) by substituting “£4,000” for “£3,000”.

(19) Rule 20A(1) is amended–

- (a) by substituting “£1,500” for “£1120”; and
- (b) by substituting “£2,000” for “£1,500”
- (c) by substituting “£4,000” for “£2,000”.

(20) After rule 20A insert the following rule–

“Deduction for health insurance premiums; Gross Income Based System.

20B.(1) An individual who is chargeable under the Gross Income Based System and for the purpose of providing health insurance for himself, his spouse or his dependent children contributes to an approved insurance policy, scheme, society or fund shall be entitled to claim a deduction up to a maximum of £2,500.

- (2) 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.
- (3) In this rule, “approved” means approved by the Commissioner for the purposes of this rule.”.

(21)(a) By inserting the following rule after rule 21–

“Deduction in respect of contributions paid to a Personal Pension Scheme and a Retirement Annuity Contract.

21A.(1) Subject to the provisions of this rule, an individual who in a year of assessment pays a contribution or contributions–

- (a) to a personal pension scheme approved by the Commissioner; or

- (b) under a retirement annuity contract approved by the Commissioner,

shall be allowed a deduction from his earned assessable income for that year of assessment in the amount of that contribution or contributions.

- (2) In this rule, “earned assessable income” means–
 - (a) the profits and gains from the carrying on or exercise by an individual of a trade, business, profession or vocation; and
 - (b) the income specified in Table B of Schedule 1 to the Income Tax Act 2010 from employment carried on or held by the individual.
- (3) Subrule (1) does not apply to earned assessable income from any employment that makes provision for a pension or annuity.
- (4) An individual shall make a claim for a deduction under this rule in such form as the Commissioner may prescribe.”;
- (b) by inserting the following subrule after rule 21A(1)–
 - “(1A) The amount allowed to be deducted by virtue of subrule (1) in respect of contributions paid by an individual (whether a single contribution or contributions) shall not exceed the lesser of–
 - (a) 20 per cent of his earned assessable income for that year of assessment; or
 - (b) £35,000.”.

(22) Rule 22 is amended–

- (a) in subrule (1) by substituting “Subject to the provisions of this rule,” for “Subject to sub-rules (2), (2A), (3), (8) and (9)”;

(b) by substituting the following subrule for subrule (8)-

“(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 £350,000 in the aggregate in relation to such principal sum or sums;

(b) where the principal sum or sums, of a loan made on before 30 June 2008 exceeds the amount of £350,000 in the aggregate the deduction allowable under this rule 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 allowable under this rule for that same year of assessment;

(iii) for the years of assessment commencing 1 July 2009, 1 July 2010 and 1 July 2011 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;

(iv) for the year of assessment commencing 1 July 2012 onwards 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 £350,000;

(v) no deduction shall be allowed under this rule in respect of any excess mentioned in paragraph (b) above, in relation to any loan or loans made after 30 June 2008;

(c) in this subrule, “principal” means the capital.”;

(c) by inserting the following subrule after subrule (9)–

“(10) Any deduction due under this rule shall not exceed £1,000 in respect of a year of assessment in relation to an individual who is chargeable to tax on the Gross Income Based System under rule 3A of the Rates of Tax Rules, 1989.”.

(23) By inserting the following rule after rule 24–

“Deduction for approved pension.

24A. An individual who–

- (a) elects to be charged under the Gross Income Based System for the purposes of rule 3A of the Rates of Tax Rules, 1989; and
- (b) in a year of assessment pays a contribution or contributions to a pension scheme approved by the Commissioner,

shall be allowed a deduction from his earned assessable income for that year of assessment in the amount of that contribution or contributions up to a maximum of £1,000.”.

(24) In rule 24A substitute “£1,200” for “£1,000”.

Dated 5th March, 2015.

F R PICARDO,
Minister with responsibility for public finance.

EXPLANATORY MEMORANDUM

The Income Tax (Allowances, Deductions & Exemptions) Rules 1992 are amended in order to give effect to the Government’s budget measures of 2012, 2013 and 2014.

