

**SECOND SUPPLEMENT TO THE GIBRALTAR
GAZETTE**

No. 3269 of 7 February, 2002

LEGAL NOTICE NO.13 OF 2002

INCOME TAX ORDINANCE

**INCOME TAX (ALLOWANCES, DEDUCTIONS AND
EXEMPTIONS) RULES 1992 (AMENDMENT) RULES 2002**

In exercise of the powers conferred on him by section 37A of the Income Tax Ordinance and all other powers the Governor has made the following Rules—

Citation and commencement

1. (1) These Rules may be cited as the Income Tax (Allowances, Deductions and Exemptions) Rules 1992 (Amendment) Rules 2002.

(2) Save for rule 2(13) which shall be deemed to have come into force on 1 July 2000, these rules shall be deemed to have come into force on 1 July 2001.

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

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

(2) Rule 5A(1) is amended by inserting after paragraph (c) the following paragraph—

“(d) do not include computers or computer programS.”.

(3) Rule 5B(1) and 5C(1) are amended by substituting for the words “Subject to sub-rule (4)” the words “Subject to sub-rule (2)”.

(4) After rule 5C there shall be inserted the following rules—

“Full Deductions: computers and computer programs

5D.(1) Subject to sub-rule (4), where—

- (a) a person carrying on any trade, business, profession or vocation incurs in any year of assessment capital expenditure on computers or on computer programs not exceeding £50,000 wholly and exclusively for the purposes of producing income from that trade, business, profession or vocation; and
- (b) in consequence of his incurring that expenditure, the computers or computer programs belong to him at some time during the year of assessment—

then for the purposes of ascertaining the assessable income of that person from that trade, business, profession or vocation, there shall be deducted from his income the whole amount of that expenditure.

(2) Notwithstanding sub-rule (1), where a person who has already claimed a deduction under this rule in respect of computers or computer programs claims a deduction under this rule in respect of any capital expenditure by him for the provision of computers or computer programs in replacement of the first item of computers or computer programs, the Commissioner may refuse to allow the deduction in respect of the second item of computers or computer programs unless the person satisfies the Commissioner that, having regard to the condition and the expected life of the first item, it is reasonably necessary to replace it.

(3) Where computers or computer programs used for the purposes of any trade, business, profession or vocation, in respect of which a deduction is allowed under this rule, subsequently ceases permanently to be used for those purposes, every sum received by the person in whose favour the deduction was allowed by reason of the disposal of computers or computer programs shall be deemed to be income of that person liable to tax.

(4) Where computers or computer programs are used for the purpose of a trade, business, vocation 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.

(5) Nothing in this rule shall serve to operate in respect of expenditure incurred prior to 1 July 2001, in which case the provisions of rule 5A shall apply in the same manner as prior to the 1 July .”.

Partial Deductions allowed: computers and computer programs

5E.(1) Subject to sub-rule (2), where—

- (a) a person carrying on any trade, business, profession or vocation incurs in any year of assessment capital expenditure exceeding £50,000 for the provision of computers or computer programs for the purposes of producing income from that trade, business, profession or vocation; and
- (b) in consequence of his incurring that expenditure, the computer or computer program belongs to him at some time during the year of assessment—

then for the purposes of ascertaining the assessable income of that person from that trade, business, profession or vocation, there shall be deducted from his income for that year 25 per cent of the whole amount of the said capital expenditure exceeding £50,000, and an additional 25 per cent in respect of the subsequent three years of assessment:

Provided that in respect of the first £50,000 of the said expenditure, the provisions of regulation 5D shall apply.

(2) Where any computers or computer programs are 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.

(3) No deduction shall be allowed under this rule if the deduction will exceed the written down value.

(4) In the case of the expenditure by any person engaged in any trade, business, profession or vocation of any sum in replacing any computers or computer programs (not being computers or computer programs to which section 18 of the Ordinance or rule 5D applies) which were used or employed in such trade, business, profession or vocation, and which has become obsolete, an amount equivalent to the written down value of computers or computer programs 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 computer hardware or software, whichever is the less;

Provided that where the sum realised or likely to be 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.

(5) Nothing in this rule shall serve to operate in respect of expenditure incurred prior to the 1st July 2001, in which case the provisions of rule 5B shall apply in the same manner as prior to the 1st July 2001.”.

(5) Rule 6 shall be amended by substituting for the figure “£2175” in the two places where it occurs the figure “£2300”.

(6) Rule 7 shall be amended as follows–

- (a) by substituting for the figure “£2175” where it occurs the figure “£2300”;
- (b) by substituting for the figure “£2060” in the two places where it occurs the figure “£2150”;

(7) Rule 7A shall be amended in paragraph (1) by substituting for the figure “£1185” the figure “£1350”.

(8) Rule 8 shall be amended in sub-rule (1)(c) and (4) by substituting for the figure “£745” the figure “£800”.

(9) Rule 9 shall be amended as follows–

- (a) by substituting for the figure “£830” where it occurs the figure “£900”; and
- (b) by substituting for the figure “£665” where it occurs the figure “£750”,

(10) Rule 12 shall be amended by substituting for the figure “£2060” where it occurs the figure “£2150”.

(11) Rule 14A shall be amended by substituting for the figure “£535”, in all instances where it appears, the figure “£650”.

(12) Rule 16 shall be amended as follows–

- (a) by substituting for the figure “£680” where it occurs the figure “£780”; and
- (b) by substituting for the figure “£475” where it occurs the figure “£550”.

(13) Rule 16A shall be amended as follows–

- (a) by substituting for paragraph (b) of sub-rule (2) the following paragraph–

“(b) exceeds £76,00 per annum, shall be entitled to claim a deduction from his assessable income in accordance with the following calculation–

- (i) the deduction shall be equal to the amount by which £7,600 exceeds the sum of all other deductions, allowances and reliefs to which he may be entitled under these rules, and
- (ii) from the resulting figure there is deducted the amount by which his assessable income exceeds £7,600.”;

- (b) by inserting after sub-rule (4) the following sub-rule–

“(5) In the application of sub-rule (2) on or after 1 July 2001 for the figure “£7,600” there shall be substituted the figure “£7,760”.

(14) Rule 17 shall be amended by substituting for the figure “£375”, the figure “£500”.

(15) Rule 18 shall be amended by substituting for the figure ‘£2020’ where it occurs the figure “£2145” and for the figure “£2175” where it occurs the figure “£2300”.

Dated the 7th day of February, 2002.

By Command,

David Blunt,

Deputy Governor.