20th July 2021

HM Government of Gibraltar has today announced its budget measures for the year 2021/22. The Chief Minister’s speech included the following:

**Corporate taxation**

An increase in the rate of corporate tax from 10% to 12.5%. This is to apply to financial periods commencing after today’s date.

A series of measures to encourage investment by companies:

- **Capital allowances**
  - Initial allowances for plant and machinery to be increased from the current limit of £30,000 in a year. The initial allowance will now be the higher of (a) expenditure up to £60,000 or (b) 50% of the expenditure incurred.
  - Initial allowances for computer equipment to be increased from the current limit of £50,000 in a year. The initial allowance will now be the higher of (a) expenditure up to £100,000 or (b) 50% of the expenditure incurred.
  - The annual allowance given on the remaining “pool” of such assets to be increased from 15% to 25% per annum (or from 20% to 30% in the case of companies whose profits are taxed at 20%).
  - “Plant and machinery” to include private vehicles that are partly used for the production of income, if the vehicle is fully electric.
  - A wear and tear allowance to be introduced of 1% of acquisition cost of property from where business is conducted (this will not apply to industrial buildings which already attract an allowance).

- **An additional allowance of 50% of the fixed salary cost of new employees employed after today**

- **The additional allowance already given for qualifying training costs is to be increased from 50% to 60%. The increase applies to the cost of training only, and excludes ancillary costs, such as travel and accommodation**

- **An additional allowance of 50% of marketing costs (subject to agreement by the Income Tax Office that it is validly incurred in marketing for purposes of the business)**

- **Allowances to be given for the installation of any solar heating systems**

- **Increase in deductions given for improvements to the EPC rating of a property.**

**Personal tax**

- **No changes to the tax rates or bands under either the Allowance Based System or Gross Income Based System.**

- **Category 2 Individuals**
  - Minimum tax payable to increase from £22,000 to £32,000 per annum.
  - Tax “cap” for income taxed under the certificate to be increased from £27,560 to £37,310.
  - The above changes to apply as from 1 August 2021.
HEPSS* Individuals:

- Going forward, individuals will need to earn more than £160,000 per annum to qualify for HEPSS (currently £120,000)
- Tax payable to be based on this new threshold amount (i.e., tax will increase from £29,940 to £39,940 per annum)
- The above changes to apply as from 1 August 2021. Transitional rules will apply for existing HEPSS employees earning between £120,000 and £160,000.

* HEPPS = High Executive Possessing Specialist Skills

Certain allowances under the Allowance Based System to be increased, including:

<table>
<thead>
<tr>
<th>Allowance</th>
<th>From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age allowance (single/husband)</td>
<td>£5,600 / £9,055</td>
<td>£5,685 / £9,190</td>
</tr>
<tr>
<td>Nursery school allowance (maximum)</td>
<td>£5,400</td>
<td>£5,480</td>
</tr>
<tr>
<td>Blind person’s allowance</td>
<td>£5,395</td>
<td>£5,475</td>
</tr>
<tr>
<td>Child educated abroad</td>
<td>£1,355</td>
<td>£1,375</td>
</tr>
<tr>
<td>Parent of a disabled individual</td>
<td>£9,475</td>
<td>£10,000</td>
</tr>
<tr>
<td>Single parent family</td>
<td>£5,690</td>
<td>£5,800</td>
</tr>
</tbody>
</table>

Social insurance contributions – increases with effect from 1 July 2021 were already announced – see our bulletin of 24th June 2021.

Economic data

- GDP forecast 2020/21: £2.44bn (down 4.9%)
- Total number in employment (October 2020): 29,516 employees (30,603 in October 2019)
- Average gross earnings: £32,635 per annum
- Projected tax revenue for 2021/22: Total £300m, of which personal tax £180m, corporate tax £120m
- Tax revenue for 2020/21: Total £314m, of which personal tax £186m, corporate tax £128m

A copy of the Chief Minister’s budget speech can be seen [here](#)

For further information please contact either myself or stephen.carreras@gi.ey.com

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The above is based on the Chief Minister’s budget address of 20th July 2021. The above is provided for informational purposes only and does not constitute tax or other advice.

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