

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:

	<i>From</i>	<i>To</i>
Age allowance (single/married)	£5,600 / £9,055	£5,685 / £9,190
Nursery school allowance (maximum)	£5,400	£5,480
Blind person's allowance	£5,395	£5,475
Child educated abroad	£1,355	£1,375
Parent of a disabled individual	£9,475	£10,000
Single parent family	£5,690	£5,800

- ▶ 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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