



Budget 2021

In the Chief Minister's budget address on 20 July 2021 various taxation changes were introduced. A summary of the salient points are set out below.

Corporation tax

- Corporation tax rate has been increased from the current rate of 10% to 12.5%. Applicable to financial periods commencing after 20 July 2021.
- An allowance of 50% of the fixed salary costs of new employees employed after 20 July 2021 will be available to companies. This is in addition to the deductions already available for these costs. The additional deduction will be limited to basic salary and exclusive of bonuses, allowances and overtime.
- The already existing training allowance available under section 16 of Part IV of Schedule 3 will increase by 10% to give a 60% allowance on qualifying training costs.
- Businesses that invest in marketing will be able to claim an additional 50% allowance on marketing costs incurred.

Capital allowances

- First year capital allowances for plant and machinery and computer equipment will be increased from £30,000 and £50,000 to £60,000 and £100,000 respectively.
- In instances where the amount of expenditure exceeds the allowances stated above, the first-year allowance will be the greater of the allowance available (£60,000 - plant and machinery, £100,000 - computer equipment) or 50% of the expenditure incurred.
- Pool allowances will also be increased from 15% (20% for utility and energy companies) to 25% and 30% respectively.
- A general wear and tear allowance of 1% of the costs of acquiring a property will be granted on real property from where business is conducted.
- Definition of plant and machinery has been extended and will now allow for private vehicles used partly for the production of the income where the motor vehicle is a full electric vehicle.

Personal Tax

- The following personal allowances will see increases with effect from 1 July 2021:
 - Age allowance for single individuals increased from £5,600 to £5,685;
 - Age allowance for married individuals increased from £9,055 to £9,190;
 - The allowance for blind persons will increase from £5,395 to £5,475;
 - Allowance for child studying abroad increased from £1,355 to £1,375;
 - Allowance for a dependent (non-resident) relative increased from £220 to £250;
 - Allowance for a dependent (resident) relative increased from £335 to £400;
 - Allowance for disabled individual increased from £9,475 to £10,000;
 - Maximum nursery fee allowance increased from £5,400 to £5,480; and
 - Single parent family allowance increased from £5,690 to £5,800.



Social insurance

- Government has announced an overall increase in social insurance contributions across all paying class codes except for the 'Married Woman Option' and 'Trainee 2nd Employment' statuses.

Category 2 individuals and those with specialist skill

- The cap for Category 2 individuals beyond which no further taxation is due in Gibraltar has been increased from £80,000 to £105,000.
- Minimum tax payable by Category 2 individuals is set to increase from £22,000 to £32,000.
- The threshold for persons wishing to qualify as a High Executive Possessing Specialist Skill (HEPSS) has also changed with an individual now having to earn more than £160,000 instead of the current minimum of £120,000. As a result, annual tax payable set to increase from £29,940 to £39,940.
- Transitional arrangements will be brought in place to cover those who currently hold a certificate and are earning more than £120,000 but less than £160,000. The certificates will be grandfathered under the HEPSS regime for a period of two years to allow businesses to rationalise their employment terms.
- Changes will come into effect on 1 August 2021.

Import Duty

- Rebate on duties for fuels supplied from land or otherwise to Superyachts, jet-skis or pleasure craft is reduced by one third and the supply of these fuels will therefore attract one third of the relevant fuel duties.
- Diesel fuel provided to any Superyacht, jet-ski or pleasure craft will attract 12p of duty per litre.
- Import duty per carton of 200 cigarettes will be increased by £0.50 to £15.50 per carton.

Stamp duty

- Berths at the small boat's marina will be available for sale. Given that berths and boats are not necessities but luxuries, the transactions will be subject to stamp duty at the rate of 5%.

Contact

For any queries or clarification please contact your usual BDO contact or alternatively, you can contact our tax manager:

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