

**40. Repairs**

(1) A person is allowed a deduction for expenditure incurred in a tax year for the repair of a depreciable asset.

(2) No deduction is allowed under this section for any expenditure incurred in improving, reconstructing, or rebuilding a depreciable asset, or which is otherwise of a capital nature.

**41. Interest**

(1) Subject to subsection (2), a person is allowed a deduction for any interest incurred by a person in a tax year if the person has used the proceeds or benefit of the debt on which the interest is payable in deriving gross income.

(2) The total amount of interest allowed to a person as a deduction under this section for a tax year shall not exceed the amount computed according to the following formula –

$$A + (50\% \times (B - C))$$

where –

**A** is the interest income derived by the person during the year;

**B** is the person's gross income for the year, other than interest income; and

**C** is the total amount of deductions allowed to the person for the year, other than for interest incurred.

(3) The amount of any interest not deducted in a tax year as a result of subsection (2) shall be carried forward as interest incurred in the following tax year.

(4) An amount carried forward under subsection (3) shall be carried forward for a maximum of six tax years and if a person has an amount of interest carried forward for more than one tax year, the interest incurred in the earliest tax year shall be deducted first.

(5) Subsection (2) does not apply to a financial institution.

**42. Bad debts**

(1) A person is allowed a deduction for a bad debt written off in a tax year if the following conditions are satisfied –

(a) the amount of the debt –

(i) was previously included in the person's gross income; or

(ii) is money lent by the person in the normal course of business for the purposes of deriving business income included in gross income;

(b) the debt or part of the debt is written off in the accounts of the person in the tax year; and

(c) there are reasonable grounds for believing that the debt is irrecoverable.

(2) The amount of the deduction allowed under this section for a tax year shall not exceed the amount of the debt written off in the accounts of the person in the tax year.

**43. Loss reserve of banks**

(1) Subject to subsections (2) and (3), a bank is allowed a deduction for the addition to its provision for doubtful debts in a tax year, provided the addition has been determined in accordance with the prudential requirements specified by the Central Bank of The Gambia.

(2) The amount allowed as a deduction under this section for a tax year shall not exceed a half of one *per cent* of the total outstanding debt claims of the bank as at the end of the tax year.

(3) No deduction is allowed under this section for a tax year if the bank's total provision for doubtful debts as at the end of the tax year exceeds five *per cent* of the total outstanding debt claims of the bank as at the end of the year.

(4) In this section, "debt claim", in relation to a bank, means a debt owing to the bank.

**44. Contributions to retirement and other funds**

(1) An employee is allowed a deduction for the amount of a contribution made under –

(a) the Widows' and Orphans' (European Officers) Pensions Act, 1913 or any approved scheme within the meaning of that Act; or