



TUVALU GOVERNMENT OFFICE OF THE PRIME MINISTER

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To: All Secretaries
Attorney – General
Auditor – General
Commissioner of Police
Heads of Departments
PA to the Governor – General
Ps to the Prime Minister
Tuvalu Permanent Mission to the United Nation
Tuvalu High Commission – Suva
Tuvalu Embassy – Brussels
Principal Motufoua Secondary School
Principal Fetuvalu High School
Secretaries of Island Kaupules
General Managers of Public Corporations
General Secretary EKT
Other Religious Denominations

Subject: **Inclusive of Housing Allowance in Gross Income**

It has come to our attention that some officials continue to exclude housing allowance entitlements from their gross income despite Circulars issued in the past.

Section 5(1) of the Income Tax Act states that 'Each person who for any year derives taxable income shall, be personally liable for income tax on the aggregate of that taxable income.' The Act's definition of "taxable income" means gross income less deductible costs.

Section 9 lists items specifically included within the term 'gross income' and it shall include all amounts or the value of any benefits derived which are: ...business profits or gain; a dividend; an emolument; interest; proceeds of disposal of revenue assets; rent; royalty; service fees... and many other revenue sources.

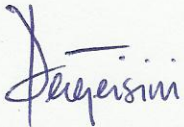
Fro the above list, when we look in particular at the term "emolument" the Act defines it as meaning all amounts payable and the value of all benefits provided in respect of, or in relation to, or arising out of, a relationship involving any person holding a remunerated post or position...shall include: a) any wages, salary, bonus, allowance, leave pay, sick pay, payment in lieu of leave, fees, commission,

gratuity or other lump sum payment...derived in respect of, relation to, or arising out of the employment of any person...

Therefore, it is clearly stated above, that housing allowance which falls under the 'allowance' category is part of your emolument meaning it should be included as part of your gross income and should thus be taxed as per Section 5(1) of the Income Tax Act.

Votekeepers to please take note of the other types of income that should also be included as part of gross income especially when calculating wages or salaries for officers under your respective departments or ministries.

Grateful if all addresses comply with this requirement.



Ms Sania Teisini

For Secretary of Finance and Economic Development