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MEDIA STATEMENT

NEW 2016 FRCS TAX REGULATION

Credit Unions have been informed through the Fiji Savings & Credit Union League (FSCUL) that new FRCS Tax Regulation of 2016 is in force which means that a levy of $10 will have to be paid by our members for each and every loan application made by them. As an example, if a member applies for a $10 loan, a fee of $10 will be applicable and the Credit Unions will be responsible for collecting this levy and paying it to FRCS. This would be another form of direct tax imposition on members when they are already in a pecuniary situation.

Credit Unions have been further advised that the new Tax Regulation has been implemented since 2016 but all regulations were not activated particularly relating to the Credit Unions. The reason being advanced for the non-implementation of 2016 regulation on credit unions is that FRCS was doing a data cleansing exercise. This is a technical jargon which appears to be a smokescreen and distraction from logic. If the real reason is to meet the shortage in monthly collection of revenue to run day to day government operations then it appears that every single dollar is looked around for collection. If it so, then government should come out and tell the truth.

The new Tax Regulation was gazetted as Legal Notice No.2 of 2016.

Credit Unions so far enjoyed a carte blanche tax exemption under the Non-Profit Organisation portfolio. However, under the 2016 regulation the income of Credit Unions have been categorised under two (2) portfolios as follows:

(i) Income of Credit Unions via its lending portfolio.
(ii) Income of Credit Unions from a business venture.

Those credit unions who lend to its members and receive interest will not be taxed but additionally the 2016 regulation will penalise our members to pay $10 levy on each application for loan.

Currently the interest income by Credit Unions from IBD require an exemption certificate from FRCS. The FSCUL must negotiate with FRCS to incorporate a clause for automatic exemption under the new certification requirement for Non-Profit Organisations.

The Credit Unions are utterly shocked with the government's stance through FRCS to implement the 2016 tax regulation. It is no doubt that those behind this new move to collect $10 levy from our members do not know in reality how these members who borrow to survive in their daily lives and look after their families. Particularly the needs of their children. Imposing additional tax on them through regulations while they borrow to meet the needs of their family members appears to be nefarious and offensive to say the least.

The powers that be, should know, that credit unions perform a critical and a unique function as financial intermediaries. They mobilise significant volumes of personal savings and channel them into small loans not only for productive and provident purposes but actually helping a large swathe of members to support them in their daily lives. One has to just analyse the loan application forms from the credit unions to see the reasons for the loans. It ranges from buying groceries, payment of utility bills like water and electricity, school needs for children, death in the family and so on.

At the present time credit unions need government's ethical support, not retribution with tax laws and inappropriate legislations to stifle the growth of credit unions. One needs to understand that credit unions offer a self-help approach to mobilise financial resources. Its number one goal is to promote savings through an institution they democratically own and control to meet their own financial needs. Credit Unions are concerned with long term institutional development to support the economic well-being of their members unlike other formal financial institutions. They serve lower and middle income families, mainly wage earners who form the core of productive economic activities. Banks as a matter of fact have little interest in this market segment due to perceived high costs and risks involved.

Government authorities like FRCS must recognise that credit unions also assist their members to obtain resources for health, education, housing and other fundamental needs quite different from other financial institutions which are narrowly focussed schemes. Moreover, most importantly Credit Unions operate on a determination to improve the quality of life of their members and by extension their families.

The Fiji Savings & Credit Union League is planning to make a submission to the appropriate government authorities to seek a waiver of the $10 levy on Credit Union members on their loan applications. The affiliates of FSCUL and all credit unions would, no doubt, await the outcome of their approach to the authorities with bated breath.

R Singh
SECRETARY TREASURER