

Farm Management Deposits

Agricultural Competitiveness White Paper Changes to the Farm Management Deposits Scheme

On 4 July 2015, the Australian Government announced the following three changes to the Farm Management Deposits (FMD) Scheme, to commence on 1 July 2016:

- doubling of the cap on deposits from \$400 000 to \$800 000
- re-establishment of an early access trigger during times of drought
- allowing FMDs to be used to offset the interest costs on primary production business debt.

These changes are part of the Australian Government's Agricultural Competitiveness White Paper, the government's plan for stronger farmers and a stronger economy. The [Agricultural Competitiveness White Paper factsheet - A better tax system](#).

More details on these changes can be found at [Taxation provisions and important changes to Farm Management Deposit legislation](#).

The Bill to amend the FMD Scheme was introduced in Parliament on 10 February 2016. The Bill and associated Explanatory Memorandum can be found on the [Parliament of Australia website](#).

Media releases

- [New legislation to help farmers manage tough times](#) – 9 February 2016
- [Farm Management Deposit scheme reaches record high](#) – 28 July 2015
- [Ag White Paper heralds a better business environment for farmers](#) – 5 July 2015
- [Agricultural Competitiveness White Paper – Stronger farmers, stronger economy](#) – 4 July 2015

What is the FMD Scheme?

The FMD Scheme assists primary producers to deal more effectively with fluctuations in cash flows. It is designed to increase the self-reliance of Australian primary producers by helping them manage their financial risk and meet their business costs in low-income years by building up cash reserves.

The scheme allows eligible primary producers to set aside pre-tax income from primary production in years of high income, which they can draw on in years of low income.

Income deposited into an FMD account is tax deductible in the financial year the deposit is made. It becomes taxable income in the financial year in which it is withdrawn.

Current FMD Scheme eligibility settings

The following conditions apply:

- a primary producer's non-primary production income must be less than \$100 000 in the financial year they make the deposit
- a primary producer may hold up to a maximum of \$400 000 in FMDs
- a primary producer can have any number of accounts with multiple Authorised Deposit-taking Institutions (for example a bank, credit union or building society), authorised under the *Banking Act 1959* (Cwlth)
- to be classified as an FMD, the deposit must be held for at least 12 months with an Authorised Deposit-taking Institution to receive the taxation benefits, unless the primary producer is receiving primary

producer Category C recovery assistance following a natural disaster under the Natural Disaster Relief and Recovery Arrangements (see below).

Eligibility requirements for withdrawal within 12 months for primary producers affected by natural disasters

Primary producers affected by natural disasters can withdraw their FMDs within the first 12 months of deposit without losing any claimed taxation benefits (deductions) if they are currently accessing, or have accessed, primary producer Category C recovery assistance under the Natural Disaster Relief and Recovery Arrangements.

Primary producers must:

- have received a primary producer Category C measure recovery grant through the Natural Disaster Relief and Recovery Arrangements, on or after 1 July 2010
- have deposited the funds into an FMD account prior to accessing the primary producer Category C measure recovery grant
- withdraw the funds from the FMD account after accessing the primary producer Category C measure recovery grant.

This provision is only available where a deposit has been made in one financial year and withdrawn in the next financial year within a 12 month period. That is, primary producers can retain the tax benefit claimed for the FMD in the previous year, but the amount of the withdrawal becomes part of the primary producer's assessable income in the financial year they withdraw the FMD.

This provision is not available to primary producers who make the deposit and withdrawal in the same financial year, as the tax benefit associated with that FMD has not been claimed through an income tax return.

If a primary producer withdraws their FMDs early under the natural disaster early access provision, they cannot claim a tax benefits for any further FMD deposits made later in that financial year.

Visit the [Australian Government Disaster Assist](#) website for more information on assistance available following natural disasters and to check the status of your Local Government Area.

Reviews of the FMD Scheme

Reviews of the FMD Scheme are available on the Department of Agriculture and Water Resources website.

FMD Statistics

Latest quarterly FMD statistics and detailed state/territory and industry totals.

For more information

- Australian Taxation Office Business Tax Enquiries phone **13 28 66**
- Tax Practitioners phone **13 72 86**
- [Farm Management Deposits Scheme information](#) on the Australian Taxation Office website
- [Income Tax Assessment Act 1997](#)