

FARM MANAGEMENT DEPOSITS SCHEME



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P 07 4924 9100 / E kennas@kennas.com / www.kennas.com

5th Floor Capricornia Electricity Centre Cnr Fitzroy & Alma Streets / PO Box 201 / Rockhampton Qld 4700



If you are a primary producer, the Farm Management Deposits (FMD) scheme allows you to claim a tax deduction for an amount deposited into a FMD in the income year you make it. This is provided you do not withdraw your deposit within 12 months of making it and you meet some other tests.

If you withdraw an amount from your FMD you are required to include this in your assessable income in the income year the deposit is repaid to you. Note that special rules apply if you withdraw your deposit in the event of a severe drought or applicable natural disaster.

Consolidating multiple FMD accounts will have no tax consequences if you meet the requirements for consolidating your FMD accounts.

From 1 July 2016, banks have the option of offering FMD offset accounts, whereby you can offset your deposits against money borrowed for your primary production business.

ELIGIBILITY

To be eligible for the FMD scheme, you must:

- be carrying on a primary production business at the time you make a deposit;
- be an individual (including as a partner in a partnership or beneficiary of a trust). Companies and other entities are not eligible and a deposit cannot be made by two or more people jointly, or made on behalf of two or more people;
- have taxable non-primary production income less than \$100,000.

If you are the beneficiary of a primary production trust that made a loss, you are still considered to be in a business of primary production.

You will be eligible for the FMD tax concessions if either of the following apply:

- the trustee of the primary production trust nominated you as a chosen beneficiary;
- you are the beneficiary of a fixed trust.

BASIC RULES

The following basic rules apply to FMD's:

- you must make the deposit with an FMD provider;
- deposits are deductible in the income year in which you make them;
- the minimum deposit or repayment is \$1,000;
- the maximum of all deposits you hold at any one time is \$800,000 (from 1 July 2016);
- interest on deposits is assessable in the income year in which it is paid;
- the deduction allowable in any income year is limited to the taxable income derived from a business of primary production in that year;
- you can hold FMDs with more than one FMD provider;
- you can't claim a deduction for any amount that exceeds the maximum deposit cap or if your taxable non-primary production income is more than \$100,000.

MAKING DEPOSITS

At the time you make a deposit, you may not know if the amount is eligible to be treated as an FMD. For example, you may not know your taxable non-primary production income amount, therefore you need to keep track of which deposits you have claimed a tax deduction for and later found to be nondeductible. You should withdraw any deposit (or part of a deposit) that is nondeductible as soon as possible so you can manage and track your deposits.



WHERE TO MAKE DEPOSITS

You can make your deposits with an FMD provider that is an authorised deposit-taking institution, or an entity that has a Commonwealth, state or territory guarantee for deposits. All banks, building societies and credit unions are authorised deposit-taking institutions. They are regulated by the Australian Prudential Regulation Authority (APRA).

ASSESSABLE INCOME

Repayments are assessable primary production income if you claimed a deduction for your FMD. The most common re-payment is a withdrawal of your deposit.

OTHER ASSESSABLE AMOUNTS

Deposits allowed as a deduction that have not been repaid to you are treated as repaid and assessable when you:

- die, and are therefore included in the date of death return;
- become bankrupt;
- stop being a primary producer for 120 days or more.

FOR MORE INFORMATION CONTACT



Helen Warnock
Partner / Director

*Chartered Accountant and
Agribusiness Specialist*

07 4924 9100 / 0429 345 576
helenwarnock@kennas.com



Andrew Landsberg
Partner / Director

*Chartered Accountant and
Agribusiness Specialist*

07 4924 9100
andrewlandsberg@kennas.com