

# Farm Management Deposits

## 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 which they can draw on in future years when they need it, such as for restocking or replanting when conditions start to improve.

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 It becomes taxable income in the financial year in which it is withdrawn (repaid).

## 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 \$800,000 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)
- the deduction claimed for an FMD in the financial year it is made cannot exceed the primary producer's taxable primary production income for that year
- to retain the taxation benefits an FMD must be held for at least 12 months with an Authorised Deposit-taking Institution
- a primary producer may be exempt from this 12 month rule if they:
  - have received primary producer Category C recovery assistance following a natural disaster under the Natural Disaster Relief and Recovery Arrangements (see below); or
  - are affected by a rainfall deficiency for at least six consecutive months (see below).

The Australian Taxation Office (ATO) administers (and interprets) FMD tax provisions. For more information call the ATO's business enquiry line on 13 28 66 or visit the [ATO Website](#).

## 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 have received primary producer Category C recovery assistance under the Natural Disaster Relief and Recovery Arrangements.

To withdraw their FMDs before 12 months, [primary producers](#) must\*:

- have received a primary producer Category C measure recovery grant through the Natural Disaster Relief and Recovery Arrangements
- have deposited the funds into an FMD account, and claimed a tax deduction in their tax return for the previous financial year, prior to receiving any primary producer Category C measure recovery grant
- withdraw the funds from the FMD account after first receiving 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 benefit 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 declaration status of Local Government Areas.

**\* If you have been experiencing severe drought or are affected by certain natural disasters, you can access funds within 12 months of making the deposit – you do not need to seek approval from the Australian Taxation Office or the Department of Agriculture.**

## Eligibility requirements for withdrawal within 12 months for primary producers affected by drought

From 1 July 2016, primary producers affected by drought can withdraw their FMDs before 12 months without losing any taxation benefits, if they<sup>\*\*</sup>:

- made their FMD in the previous financial year, and
- have held their FMDs for at least six months, and
- can demonstrate that an area of their farming property has been affected by rainfall deficiency for six consecutive months. To be eligible, the rainfall must be within the lowest five per cent of recorded rainfall for their property for that six-month period.

The online FMD rainfall deficiency tool, allowing primary producers to determine their eligibility to withdraw their FMDs early, is available on the [Bureau of Meteorology](#) website.

If a primary producer withdraws their FMDs early because of drought (based on rainfall deficiency), they cannot claim a tax benefit for any further FMD deposits made later in that financial year.

**Note:** This early withdrawal measure is **not** available to primary producers who are solely involved in the following industries:

- commercial fishing, pearling and related activities (other than farming of aquatic animals)
- felling of trees
- transporting trees, logged by the transporter, to a mill or processing plant for milling or processing.

Detailed information on the FMD Rainfall Analyser, including the eligibility criteria used, is available under [FMD Rainfall Analyser frequently asked questions](#). More technical data is available in the FMD Rainfall Analyser Guidance Pack below:

### Download

Document	Pages	File size
<a href="#">FMD Rainfall Analyser Guidance Pack PDF</a> 	5	355 KB
<a href="#">FMD Rainfall Analyser Guidance Pack DOCX</a> 	5	830 KB

If you have difficulty accessing these files, visit [web accessibility](#) for assistance.

If your questions or concerns are still not answered, please contact the relevant department or agency (details in the FMD Rainfall Analyser Frequently Asked Questions).

**\*\* If you have been experiencing severe drought or are affected by certain natural disasters, you can access funds within 12 months of making the deposit – you do not need to seek approval from the Australian Taxation Office or the Department of Agriculture, Water and the Environment.**

## Reviews of the FMD Scheme

[Reviews of the FMD Scheme](#) are available on the Department of Agriculture, Water and the Environment's 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](#)