

Information for primary producers

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How do FMDs work?

You can set aside pre-tax income in one financial year to draw from in future years when you need it. Income deposited in an FMD account is tax deductible in the year the deposit is made. The FMD becomes part of your taxable income in the year it is withdrawn (repaid).

How can an FMD benefit me?

FMDs are useful for:

- smoothing fluctuating income
- offering possible tax benefits
- maximising profits
- strengthening financial sustainability
- restocking or replanting when conditions improve
- building up cash reserves.

How do I open an FMD?

If you are an eligible primary producer, you can open an FMD account at any Authorised Deposit-taking Institution, which includes most banks and credit unions. Authorised Deposit-taking Institutions that offer FMDs must provide you with a copy of the mandatory statement about FMDs (commonly found in the Product Disclosure Statement) along with the application forms. You should read the mandatory statement before you open an FMD account.

You can hold FMDs with multiple banks and credit unions. However, you, individually, must not hold more than \$800 000 in FMDs at any point in time.

Each deposit or withdrawal must be a minimum of \$1,000, unless you are withdrawing the full balance of the account.

You can claim a deduction for FMDs made in a financial year, however, your total deduction cannot exceed your taxable primary production income for that year.

You must hold the deposit for a minimum of 12 months to retain the tax benefits. However, exemptions may apply if you:

- have received primary producer Category C recovery assistance following a natural disaster, or
- are affected by a rainfall deficiency for at least six consecutive months ([see below](#)).

The rate of interest paid on an FMD is determined by the bank or credit union with which you hold the FMD. Interest payable on the FMD cannot be paid into the FMD account and is subject to income taxation.

Further eligibility criteria apply (see below).

If you are unsure whether your business is considered a primary production business, please refer to the [Australian Taxation Office](#) for more information.

Am I eligible?

FMDs are only available to individual primary producers operating as a sole trader or partner in a partnership. Companies and trusts are not eligible to hold FMDs. However, primary producers who are beneficiaries of a primary production trust can deposit their trust income into an FMD.

To be eligible to make an FMD you must:

- be an individual carrying on a primary production business, either as a sole trader or a partner in a partnership, or a beneficiary of a primary production trust
- earn no more than \$100 000 in non-primary production taxable income in the financial year you deposit the FMD
- make an FMD of \$1,000 or more
- hold no more than \$800 000 in FMDs at any time
- hold the FMD for at least 12 months to retain the taxation benefits.

FMD holders who have received primary producer Category C assistance following a natural disaster, or have been affected by a rainfall deficiency for at least six consecutive months prior to their withdrawals, may be exempt from the 12 month rule*. More details on these exemptions are provided below.

As mentioned above, you must be carrying on a primary production business to make an FMD. If you cease carrying on a primary production business for more than 120 continuous days, you will be considered to no longer be carrying on a primary production business, and will cease to be eligible to hold FMDs. For tax purposes, your FMD is taken to have been withdrawn as soon as you are considered to be no longer carrying on a primary production business; and the full amount of your FMD becomes part of your taxable income for that financial year.

*** 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 prior approval from the Australian Taxation Office or the Department of Agriculture.**

Further eligibility criteria apply

If you are unsure whether your business is considered a primary production business, please refer to the [Australian Taxation Office](#) for more information.

I am running a primary production company, am I eligible to hold an FMD?

No, companies are not eligible to hold FMDs. To hold an FMD you must be carrying on a primary production business as an individual, either as a sole trader or a partner in a partnership.

Can an FMD account be held by a trust?

No, it is a general principle that all profits derived from a trust in any year are to be distributed to beneficiaries in that year. To allow trusts to hold FMDs would permit such profits to be carried forward and the tax obligations of beneficiaries to be deferred, which is inconsistent with the rules for operating a trust.

I am the beneficiary of a primary production trust, can the money I receive from the trust be deposited into an FMD account?

Yes, provided that you are carrying on a primary production business as an individual and you meet all other eligibility requirements.

I am a sole trader primary producer and my wife is a school teacher who earns over \$100,000. Can I still invest in an FMD?

Yes, because your wife's income does not affect your eligibility to participate in the FMD Scheme.

Can we deposit my wife's teaching income in an FMD?

If your wife does not also receive primary production income, then she would not be able to deposit her teaching income in an FMD. This is because the deduction you can claim for FMDs in a financial year cannot exceed your taxable primary production income received in that financial year.

My husband and I run our farm together in a partnership arrangement. Can we both hold FMDs?

Yes, you and your husband, as individuals who are both carrying on a primary production business, can each hold up to \$800 000 in FMDs.

When can I withdraw my FMD?

Investment terms vary depending on your individual FMD contract with your Authorised Deposit-taking Institution. In order to retain claimed tax benefits you cannot withdraw any funds within the first 12 months of making the deposit.

However, you can access your FMDs before 12 months, without affecting your claimed tax benefit if:

- the withdrawal is made following a natural disaster, and you have received primary producer Category C recovery assistance under the Natural Disaster Relief and Recovery Arrangements ([see below](#)), or
- you are affected by a rainfall deficiency for six consecutive months prior to your withdrawal (that is, within the lowest five per cent of recorded rainfall for your property for that six-month period) ([see below](#)).

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.

What is the difference between a farm management deposit withdrawal or repayment?

The Farm Management Deposits Scheme allows primary producers to set aside the pre-tax income which they can withdraw 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.

Tax legislation (including the *Income Tax Assessment Act 1997*) refers to a Farm Management Deposit withdrawal as a repayment. The terms 'withdrawal' and 'repayment' have the same meaning.

I want to move my FMD to another Authorised Deposit-taking Institution. Do I have to withdraw it first and do I lose the taxation benefits?

No, you can electronically transfer some or all of your FMDs from one Authorised Deposit-taking Institution (ADI) to another, without affecting the tax benefits you have claimed.

To transfer an FMD from one ADI to another, you must:

- choose a new ADI and inform it of your intention to transfer some or all of your existing FMD holdings
- open a 'nil balance' account with the new institution
- write to your existing ADI requesting the transfer of some or all of your FMD holdings to your new institution, and provide details of your new account.

On receiving written advice, your existing ADI must electronically transfer your FMD holdings to your new account, as requested, so that your FMD holdings retain their original deposit date, and pay separately any interest owing to you. The interest cannot be included in the amount being transferred.

What happens if I stop being a primary producer?

You must be carrying on a primary production business to make an FMD. If you cease carrying on a primary production business (i.e. stop being a primary producer) for more than 120 continuous days, you will be considered to no longer be carrying on a primary production business, and will cease to be eligible to hold FMDs. For tax purposes, your FMD is taken to have been withdrawn as soon as you are considered to no longer be carrying on a primary production business, and the full amount of your FMD becomes part of your taxable income for that financial year.

My farm has been affected by a natural disaster and I need access to the money I have invested in my FMD accounts. I have only held my accounts for 8 months, will I lose my tax deduction?

If you are affected by an eligible natural disaster, you may be able to access your FMDs prior to 12 months without losing the claimed tax benefits. You must have:

- deposited the funds into an FMD account, and claimed a tax deduction in your tax return, prior to receiving any primary producer Category C measure recovery grant under the Natural Disaster Relief and Recovery Arrangements
- withdrawn the FMD after receiving the primary producer Category C recovery assistance.

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.

I only put money in an FMD a few months ago, but I need the money now and I don't qualify for early access under the natural disaster or rainfall deficiency rules. Is there any way I can withdraw my FMD now?

Under legislation, you must hold the deposit for at least 12 months for it to qualify as an FMD; this allows you to receive the corresponding tax benefits and defer the tax liability until you withdraw the FMD. The only exception to this 12 month requirement is if you, as the FMD holder, are eligible to make an early withdrawal under the natural disaster or rainfall deficiency provisions.

If you find you need to withdraw the funds in the FMD account sooner than 12 months, you are free to do so, without any specific authorisation from the Australian Taxation Office (ATO) or the Department of Agriculture. However, if you withdraw the funds early, you may need to reconsider your tax obligations:

- If you deposited and then withdrew the funds in the same financial year, and never claimed a deduction for the funds in your tax return, then it is taken as though you never made an FMD.
- If you deposited in one financial year and withdrew in the following financial year less than 12 months later, and claimed a tax deduction for the funds you deposited into an FMD account, you may have to revise that tax return. In this situation, you should contact the ATO as soon as possible.

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.

I am having a rough time due to drought. I made an FMD less than 12 months ago, but I need to access it now. Will I lose the tax deduction I claimed if I take out my FMD now?

If you are affected by drought, you may be able to withdraw your FMD before 12 months without losing your claimed tax benefit, if you*:

- made the FMD in the previous financial year, and
- have held your FMDs for at least six months, and
- can demonstrate that an area of your farming property has been affected by a rainfall deficiency for six consecutive months. To be eligible, the rainfall must be within the lowest five per cent of recorded rainfall for your property for that six-month period. An online FMD rainfall deficiency tool is available for you to determine your eligibility.

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  [PDF \[355 KB\]](#)  [Word \[830 KB\]](#). 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).

***Please note: These early access provisions relate only to taxation matters. Banks may have their own arrangements for early access to deposited funds, which could include charging break fees, enforcing withdrawal notice periods and revising interest rates.**

Can I use my FMD to offset my business loan?

Yes, you can use your FMD to offset primary production business loans. If you are a sole trader or a partner in a partnership, you can use your FMD accounts to reduce your business loan costs.

To take advantage of this arrangement, you will need to hold your loan and your FMD with the same Authorised Deposit-taking Institution (ADI) that is offering FMD offset account products. It is up to ADIs to determine if they will offer FMD offset accounts and how they will be set up and operated (subject to meeting legislative requirements).

Note: Primary producers should be aware that using their FMDs to offset their farm business debt may have wider taxation implications, such as reducing the level of tax deduction that can be claimed against the interest expenses on farm business loans. Primary producers who wish to know more about this matter should speak to the ATO or a qualified financial adviser.
