

Statements to be read by Depositors

Authorised deposit-taking institution

The institution issuing this application form is an authorised deposit-taking institution for the purposes of the Banking Act 1959.

Purpose of the Farm Management Deposit Scheme

The Farm Management Deposit Scheme ('the scheme') is designed to allow primary producers with a taxable non-primary production income of under \$100,000 to shift before-tax income from years when they need it least to years when it is most needed, to help them manage their exposure to adverse economic events and seasonal fluctuations.

Eligibility criteria apply to primary producers under the scheme

Tax consequences of Farm Management Deposits

The scheme allows primary producers to deduct the amount of any Farm Management Deposit they own from their assessable income for the income year in which the deposit is made. However, the amount of the deductions cannot exceed the owner's taxable primary production income for the year.

Under the Pay As You Go system, owners may reduce their instalment income for an instalment period by the amount of Farm Management Deposits made during that period. The reduction is limited to the amount that the owners can reasonably expect to deduct for the deposit for the income year in which the deposit is made. However, the instalment income for the period cannot be reduced below nil.

When an owner withdraws funds from a Farm Management Deposit in an instalment period, the instalment income of the period will include the amount of the withdrawal. But the owner's instalment income will only include so much of the withdrawal as will be included in the owner's assessable income for the income year in which the withdrawal is made. If neither the owner's Tax File Number nor Australian Business Number have been quoted to the Financial Institution that holds the deposit, the amount withdrawn and any interest paid will also be subject to withholding tax at the maximum marginal tax rate (plus the Medicare levy).

Important requirements for Farm Management Deposits

Some of the requirements for Farm Management Deposits are summarised below. There are also other requirements set out in the Income Tax Assessment Act 1936. A breach of some of the requirements will result in the deposit not being treated as a Farm Management Deposit and the tax benefits will be lost.

- Primary producer with a taxable non-primary production income of \$100,000 or less.
 - The owner of the deposit must be a primary producer when the deposit is made.
 - The deposit must be made by only one person and on behalf of only one person.
 - The deposit must be at least \$1000 and not more than \$800,000, at any time in any year of income.
 - A person can own more than one deposit, but they must not total more than \$800,000.
 - Rights of the depositor are not, and must not be, transferable to another person.
 - The deposit must not be used as security for any amount owed to the Financial Institution or to any other person by the depositor or any other person.
 - Interest or other earnings on the deposit must not be invested as a Farm Management Deposit with the Financial Institution without having first been paid to the depositor.
 - If the depositor requests, the Financial Institution must electronically transfer the deposit to another Financial Institution that agrees to accept it as a Farm Management Deposit.
 - NAB will not charge any fees on the Farm Management Deposit.
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Repayment of Farm Management Deposits

The tax benefits are not retained for deposit amounts withdrawn in the first 12 months after the deposit was made, unless the withdrawal is made because the owner:

- dies; or
- becomes bankrupt; or
- ceases to be a primary producer for 120 days or more; or
- has requested the deposit to be transferred to another Financial Institution; or
- is eligible due to any other reason allowed by the Income Tax (Farm Management Deposits) Regulations 1998 & the Income Tax Assessment Act 1997.

The amount of any repayment of the deposit must be at least \$1,000 except where the entire amount of the deposit is repaid.