

# Farm Management Deposit (FMD)



Use this form to apply for a FMD account. You must be an individual who is a primary producer and who satisfies the requirements of the Income Tax Assessment Act 1936 and associated regulations for FMDs.

## Your details

Full name

Hume Bank customer number

## Deposit details

ANZSIC code (Refer to page 2.)

Nature of primary production

Amount of FMD

Do you have an existing FMD account?

\$

**Please note:** Total deposits held in FMDs must not exceed \$800,000 with Hume Bank.  
Total deposits must be a minimum of \$1,000.

## Your interest payment details

FMD regulations do not permit interest compounding on the principal held or fees and charges being deducted from the principal held. You are required to authorise Hume Bank to transfer any interest earned and fees and charges incurred to another account and to give effect to the contents of this form.

Account name

Hume Bank BSB

Hume Bank account number

## Tax

You are not required to quote a Tax File Number or Australian Business Number, however if a number is not quoted Hume Bank is required by law to deduct tax at the highest marginal rate from the total amount withdrawn.

Does Hume Bank have your Tax File Number on file?

Yes

No

If no, please provide Tax File Number

Australian Business Number (ABN) - if appropriate

## Customer information and acknowledgement

- > I confirm I am an eligible primary producer and will be when the deposit is lodged.
- > I acknowledge that upon signing this application, I agree to abide by Hume Bank's Terms and Conditions and the Terms and Conditions relative to the FMD account (copies of which have been provided to me or can be found on Hume Bank's website).
- > I certify that I have read the Information Statement – Farm Management Deposits overleaf.

Customer name

Customer signature

Date (DD/MM/YYYY)

### INTERNAL USE ONLY:

Deposit Certificate Number:

Date loaded:

Need help?

Call or visit us in branch.

## **ANZSIC Code**

### **11 Nursery and Floriculture Production**

- 111 Nursery Production (Under Cover)
- 112 Nursery Production (Outdoors)
- 113 Turf Growing
- 114 Floriculture Production (Under Cover)
- 115 Floriculture Production (Outdoors)

### **12 Mushroom and Vegetable Growing**

- 121 Mushroom Growing
- 122 Vegetable Growing (Under Cover)
- 123 Vegetable Growing (Outdoors)

### **13 Fruit and Tree Nut Growing**

- 131 Grape Growing
- 132 Kiwifruit Growing
- 133 Berry Fruit Growing
- 134 Apple and Pear Growing
- 135 Stone Fruit Growing
- 136 Citrus Fruit Growing
- 137 Olive Growing
- 138 Other Fruit and Tree Nut Growing

### **14 Sheep, Beef Cattle and Grain Farming**

- 141 Sheep Farming (Specialised)
- 142 Beef Cattle Farming (Specialised)
- 143 Beef Cattle Feedlots (Specialised)
- 144 Sheep-Beef Cattle Farming
- 145 Grain-Sheep or Grain-Beef Cattle Farming
- 146 Rice Growing
- 147 Other Grain Growing

### **15 Other Crop Growing**

- 151 Sugar Cane Growing
- 152 Cotton Growing
- 159 Other Crop Growing n.e.c.

### **16 Dairy Cattle Farming**

- 161 Dairy Cattle Farming

### **17 Poultry Farming**

- 171 Poultry Farming (Meat)
- 172 Poultry Farming (Eggs)

### **18 Deer Farming**

- 180 Deer Farming

### **19 Other Livestock Farming**

- 191 Horse Farming
- 192 Pig Farming
- 193 Beekeeping
- 199 Other Livestock Farming n.e.c.

## **Purpose of the FMD Scheme**

The FMD scheme is designed to allow individuals carrying on a primary production business in Australia, with taxable non primary production income, to shift before tax income from years when they need it least to years when it is most needed. The scheme helps those individuals to manage their exposure to adverse economic events and seasonal fluctuations.

Eligibility criteria apply to individuals carrying on a primary production business in Australia under the scheme.

## **Tax consequences of FMDs**

The scheme allows primary producers to deduct the amount of any FMD 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 FMDs 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 an FMD in an instalment period, the instalment income of the period will include the amount of the withdrawal. 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 the owner's tax file number has not been quoted to the financial institution that holds the deposit, the amount withdrawn will also be subject to withholding at a rate of 46.5%.

## **Important Requirements for FMDs**

Some of the requirements for FMDs 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 an FMD, and the tax benefits will be lost.

- > 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 \$1,000 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 any other person by the depositor or any other person.
- > The deposit must not be used, as a mortgage offset account or otherwise, to reduce the depositor's liability to pay interest on other debts to the financial institution.
- > Interest or other earnings on the deposit must not be reinvested as an FMD 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 an FMD.
- > The financial institution must not deduct any fees from the principal of an FMD. However, it may charge fees on the deposit.

## **Repayment of FMDs**

Unless you satisfy the Exceptional Circumstances exemption criteria or are affected by certain natural disasters and have received assistance through an NDRRA primary producer Category C measure recovery grant, no part of the deposit can be withdrawn in the first 12 months after it is deposited. However the deposit must be repaid if you:

- > die; or
- > become bankrupt; or
- > cease to be a primary producer for 120 days or more; or
- > request us to electronically transfer the deposit to another financial institution that agrees to accept it as a FMD.

If you merge multiple FMDs into a single deposit, tax law regards these deposits as having been repaid to you. The combined deposit will be treated as a new FMD and a new FMD agreement will need to be entered into for the combined deposit. The amount of any repayment of the deposit must be at least \$1,000, except where the entire amount of the deposit is repaid.