



Brentnalls SA
With you **for** life.

Brentnalls SA

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Independent, **together.**

Farm Management Deposits

Overview

A Farm Management Deposit (FMD) is a risk-management tool to help primary producers deal with uneven profit and is a bank account similar to a term deposit. FMDs are available for use by individuals who receive income from a business carrying on a primary production enterprise, and have non-primary production (off-farm) income of less than \$100,000. The total amount of funds that can be held in an FMD at one time is \$800,000 per individual and separate deposits of differing amounts can be held with multiple banking institutions.

An FMD must be held on deposit for a minimum of 12 months for a tax deduction to be claimed in the name of the individual holder. Deposits can be withdrawn after the 12 months have elapsed, and will be assessable as primary production income on withdrawal.

Why use FMD's

FMDs are a useful tax planning tool that can be used to delay tax liabilities in the year the deposit is made until the year the deposit is withdrawn. The tool allows the income made in a good year to be carried over into a year that the funds may be needed.

Another advantage of holding an FMD is that it allows the primary producer to smooth their taxable income over the years and can be used to control an individual's level of average income for primary production averaging purposes.

As amounts held in an FMD are an asset, this contributes to an individual's wealth. These can be used as equity to allow the individual to gain access to finance, where the institution allows.

Using FMDs can be beneficial for the younger generations as unlike superannuation, the other common tax saving tool, the condition of release on FMDs is a much shorter timeframe therefore access to the funds can be sought when required.

Offset

From 1 July 2016, FMDs can be used as offset accounts against primary production business debt. The business debt must be an eligible loan that is held by the FMD owner or a partnership they are a partner in and must be directly in relation to their primary production business.

The offset can only be used against one loan at a time and both accounts must be held within the same institution.

Not all institutions are offering this offset capability.

Where to make deposits

You 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 institutes. They are regulated by the Australian Prudential Regulation Authority (APRA).

Disclaimer

The information provided in this brochure does not constitute advice. The information is of a general nature only and does not take into account your individual objectives, financial situation or needs. It should not be used, relied upon, or treated as a substitute for specific professional advice. We recommend that you contact Brentnalls SA before making any decision to discuss your particular requirements or circumstances.