

Article Information

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From 1 July 2016 Changes to FMD scheme apply

From 1 July 2016, much welcomed changes to the Farm Management Deposit scheme will take effect.

The Farm Management Deposit (FMD) scheme allows primary producers to defer the payment of tax on profits derived until a later income year. Typically, farmers make FMD deposits in good years (which gives rise to a deduction thereby reducing assessable income) and make withdrawals in poorer years (the withdrawals are treated as assessable income).

Under the changes to take effect from 1 July 2016:

- The maximum amount that can be held in FMDs will increase from \$400,000 to \$800,000;
- Primary producers who experience severe drought conditions will be able to withdraw an amount held in an FMD within 12 months of the deposit without affecting the tax treatment of the FMD in the earlier year (generally FMDs must not be withdrawn within 12 months of deposit);
- Amounts held in FMDs will now be allowed to offset interest on other debt relating to the FMD owner's primary production business.