Article Information

Author: Will Fennell
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Primary producers – what are the tax concessions?

While according to the OECD report "Agricultural Policy Monitoring and Evaluation 2013" Australian farmers are some of the least subsidised in the world, there are nonetheless a range of tax concessions available in Australia to primary producers.

In addition to the general and small business tax concessions available to all resident taxpayers, farmers may be eligible for access to the following specific primary producer provisions:

- **Income averaging** allows primary producers to even out income across years so their tax liability is more aligned with that of a taxpayer on a stable income.
- **Farm management deposits (FMDs)** allow primary producers to carry over income from years of good cash flow and draw down on that income in years when they need cash. This enables primary producers to defer the income tax on their primary production income from the income year in which the deposit is made until the income year in which the deposit is repaid.
- **Non-commercial business losses** – where assessable income excluding net capital gains from other sources is less than $40,000, primary producers do not need to satisfy the normal requirement to meet one of the four business tests for offsetting business losses against other accessible income.
- **Immediate deductions for landcare operations**, such as drainage work to prevent salinity, erosion control activities or erecting fences under an approved management plan.
- **Three-year write-off of water facilities**, covering dams, tanks, bores, wells, irrigation channels, pipes and pumps.
- **Ten-year write-off for electricity connections and telephone lines**, which are far more expensive to install in rural areas compared to urban areas.
- **Accelerated deduction for horticultural plants**, including immediate deductibility for plants with an effective life of fewer than three years.
- **Deferral of profit on the forced disposal or death of livestock**—for example, sale due to drought, fire or flood;
- **Insurance recoveries**, which allow an assessable insurance recovery to be spread in equal instalments over five years.
- **Deferral of profit on double wool clips**—if, due to fire, flood or drought, a primary producer is forced to undertake an early shearing and therefore sells two wool clips in one income year, the grower can elect to defer the profit on sale of the second clip to the following year.
- The **wine producer rebate** entitles wine producers to a rebate of up to $500,000 each financial year in respect of the Wine Equalisation Tax (WET), a value-based tax on wine consumed in Australia that applies at 29 per cent of the value of the wine at the last wholesale sale (before adding GST).