



# Information for primary producers 2025

Work out if you can claim deductions as a primary producer when completing your tax return 2025.

**Published** 29 May 2025

## Who is a primary producer?



Check if you're a primary producer as an individual, trust or company carrying on a primary production business.

## Non-commercial business losses in primary production



Check if non-commercial business losses measures apply to your non-commercial business activities as a primary producer.

## Small business entity concessions for primary producers



Work out if you can access small business entity concessions that suit your business.

## Depreciating assets and capital expenditure



Information to help you work out deductions for the decline in value of depreciating assets.

---

## **Valuing livestock**



How to value livestock at the end of each income year as part of working out your net income from primary production.

---

## **Abnormal receipts**



Check what type of abnormal receipts apply to you as a primary producer.

---

## **Tax averaging**



Check if tax averaging applies to you as a primary producer.

---

## **Farm management deposits scheme**



Work out how to deal with uneven income flows during prosperous years and less prosperous years.

---

## **Australian carbon credit units**



Work out if your entitlement to concessional tax treatment for Australian carbon credit units.

---

## **Primary production worksheet**



Use this worksheet to help you work out your income from primary production.

---

# Who is a primary producer?

Check if you're a primary producer as an individual, trust or company carrying on a primary production business.

**Published** 29 May 2025

A primary producer is an individual, trust or company carrying on a primary production business, alone or in partnership. You're a primary producer if you carry on a business in:

- plant or animal cultivation (or both)
- fishing or pearling (or both)
- tree farming or felling (or both).

You need to consider various indicators before you decide if an activity is a business of primary production. For a full explanation of the relevant indicators with examples of their application, see *Taxation Ruling TR 97/11 Income tax: am I carrying on a business of primary production?*

You're not operating a business if the activity is better described as a hobby, a form of recreation or a sporting activity.

Continue to: [Primary production losses](#)

Return to: [Information for primary producers 2025](#)

QC 104640

## Non-commercial business losses in primary production

Check if non-commercial business losses measures apply to your non-commercial business activities as a primary producer.

**Published** 29 May 2025

Individuals with losses from carrying on non-commercial business activities (either alone or in partnership with others) may need to defer those losses under the non-commercial business losses (NCL) measures. The NCL measures don't apply if:

- you operate a primary production business and your assessable income from other sources that don't relate to your primary production business is less than \$40,000, excluding any net capital gain
- the sum of your taxable income (ignoring any business losses), reportable fringe benefits, reportable super contributions and total net investment losses, is less than \$250,000 and your business activity satisfies one of 4 tests
- the Commissioner of Taxation exercises discretion to allow you to claim the loss.

If the NCL measures do apply, the loss can't be claimed in the year it arises. Instead, it's deferred to the next year in which you carry on the business activity or one of a similar kind. The deferred loss is offset against any profit from the activity in that future year. Whether any remaining loss can be offset against other income for that future year will depend on the operation of the NCL measures in that year.

For more information, see:

- **Non-commercial losses**
- Practical Compliance Guideline *PCG 2022/1 Non-commercial business losses – Commissioner's discretion regarding flood, bushfire or COVID-19*
- Taxation Ruling *TR 2001/14 Income tax: Division 35 – non-commercial business losses*
- Taxation Ruling *TR 2007/6 Income tax: non-commercial business losses: Commissioner's discretion.*

Continue to: **Small business entity concessions for primary producers**

Return to: **Who is a primary producer?**

QC 104640

## **Small business entity concessions for primary producers**

Work out if you can access small business entity concessions that suit your business.

**Last updated** 29 May 2025

### **Choosing to access the small business entity concessions**

If you're a primary producer and a small business entity, you can choose to access the **small business entity concessions** that suit your business. You'll have to review your **eligibility** for the concessions each tax year and you may need to satisfy other conditions that apply to a particular concession.

A small business entity may be a sole trader, partnership, company or trust. You can get the latest small business news and information by subscribing to our **Small business newsroom**.

### **Simplified trading stock**

Small business entities only need to conduct stocktakes and account for changes in the value of trading stock in limited circumstances, see **Simplified trading stock**.

For more information, see **Oyster farmers: calculating the value of trading stock**.

### **Prepaid expenses**

Small business entities and entities that would have been small business entities if the aggregated turnover threshold was less than \$50 million can claim an immediate deduction for certain prepaid expenses under the **12 month rule**.

## Simplified depreciation rules

An eligible small business entity can choose to claim deductions for certain depreciating assets you use in the course of carrying on a business of primary production under either the:

- simplified depreciation rules
- uniform capital allowance (UCA) rules.

The choice is available for:

- water facilities
- fencing assets
- fodder storage assets
- depreciating assets relating to landcare operations
- electricity connections
- phone lines.

Once you have made that choice, you can't change it. If you choose to use the simplified depreciation provisions for certain primary production assets, then you must use both the immediate write-off and the pooling where applicable.

For horticultural plants (including grapevines), use the UCA provisions.

Continue to: [Depreciating assets and capital expenditure](#)

Return to: [Primary production losses](#)

QC 104640

## Depreciating assets and capital expenditure

Information to help you work out deductions for the decline in value of depreciating assets.

**Last updated** 29 May 2025

## What is a depreciating asset?

A **depreciating asset** is an asset that has a limited effective life and can reasonably be expected to decline in value over the time it is used. Some assets are specifically excluded from the definition.

## General depreciation rules

There is a set of **general rules** for working out deductions for the decline in value of depreciating assets. These rules apply to most depreciating assets used in primary production. However, there are special rules for working out deductions for the decline in value of some **primary production depreciating assets** and certain other capital expenditure.

For more information, see [Guide to depreciating assets 2025](#).

## Water facilities

A water facility that is primarily and principally for the purpose of conserving or conveying water includes either:

- plant or a structural improvement
- an alteration, addition or extension to plant or a structural improvement.

Examples of a water facility are dams, tanks, tank stands, bores, wells, irrigation channels, pipes, pumps, water towers and windmills.

A water facility also includes certain other expenditure incurred on or after 1 July 2004:

- a repair of a capital nature to plant or a structural improvement that is primarily and principally for the purpose of conserving or conveying water – for example, if you purchase a pump that needs substantial work done to it before it can be used in your business, the cost of repairing the pump may be treated as a water facility
- a structural improvement, or an alteration, addition or extension, to a structural improvement, that is reasonably incidental to conserving or conveying water

- a repair of a capital nature to a structural improvement that is reasonably incidental to conserving or conveying water.

Examples of structural improvements that are reasonably incidental to conserving or conveying water include a bridge over an irrigation channel, a culvert (a length of pipe or multiple pipes that are laid under a road to allow the flow of water in a channel to pass under the road) and a fence preventing livestock entering an irrigation channel.

You must incur the expenditure on the water facility primarily and principally for conserving or conveying water for use in your primary production business on land in Australia. You may claim the deduction even if you're only a lessee of the land.

If you incurred the expenditure on or after 7:30 pm (AEST), 12 May 2015, you claim the full amount in the year you incurred it.

You reduce your deduction where the water facility isn't wholly used for either:

- carrying on a primary production business on land in Australia
- a taxable purpose – for example, for producing assessable income.

No deduction is available for capital expenditure you incur to acquire a second-hand commercial water facility unless you can show that no one else has deducted or could deduct an amount for earlier capital expenditure on the construction or previous acquisition of the water facility.

These deductions aren't available to a partnership. You can allocate costs a partnership incurs for facilities to conserve or convey water to each partner who can then claim the relevant deduction for their share of the expenditure.

You can include any recoupment of the expenditure in your assessable income. If the expenditure on water facilities is deductible over 3 income years, special rules apply to determine the amount of any recoupment you can include in assessable income in the year of recoupment and in later income years.

Irrigation water providers are entitled to a deduction for expenditure on water facilities that is incurred on or after 1 July 2004. An irrigation water provider is an entity whose business is primarily and principally the supply (by means other than by the use of motor vehicles) of water



to entities, for use in primary production businesses on land in Australia.

If you're a small business entity, you can choose to work out your deductions for water facilities under these UCA rules or the simplified depreciation rules. Once you have made your choice, you can't change it.

For more information, see [Guide to depreciating assets 2025](#).

## Tradeable water rights

The states and territories have enacted legislation to enable the trading of **water rights**. Generally, there are capital gains tax (CGT) and general tax consequences from the sale, transfer or ending of water licences, allocations, quotas and entitlements.

Water rights, such as licences and water allocations, are CGT assets. The permanent trade of a water right constitutes the disposal of a CGT asset. A temporary trade of a water right also constitutes a CGT event, exactly which CGT event will depend on the facts of each case and the rules governing the trade. Whether there are general income tax consequences because of trading a water right also depends on your particular circumstances. If you're uncertain, write to us and request a **private ruling** on how the tax laws apply to your situation.

## Fencing assets

A fencing asset is a fence, which also includes a structural improvement, a repair of a capital nature, or an alteration, addition or extension, to a fence. You must incur the expenditure on the construction, manufacture, installation or acquisition of a fencing asset that is used primarily and principally in a primary production business you conduct on land in Australia. You may claim the deduction even if you're only a lessee of the land.

If you incurred the expenditure on or after 7:30 pm (AEST), 12 May 2015, you claim an immediate deduction of the full amount in the year you incurred it. If you incurred the expenditure before this time (or if the expenditure relates to a stockyard, pen or portable fence), the previous UCA rules that apply to fences continue to apply.

You also can't claim a deduction for a fencing asset if you claim a deduction for this under landcare operations (under s40-630(1)).

For more information, see **Landcare operations**.

You reduce your deduction where the fencing asset isn't wholly used for either:

- carrying on a primary production business on land in Australia
- a taxable purpose – for example, for producing assessable income.

No deduction is available for capital expenditure you incur to acquire a second-hand fencing asset unless you can show that no one else has deducted or could deduct an amount for earlier capital expenditure on the construction or previous acquisition of the fencing asset under these rules.

These deductions aren't available to a partnership. You can allocate costs a partnership incurs on fencing assets to each partner who can then claim the relevant deduction for their share of the expenditure.

If you're a small business entity, you can choose to work out your deductions for fencing assets under these UCA rules or the simplified depreciation rules. Once you have made your choice, you can't change it.

## **Fodder storage assets**

A fodder storage asset is an asset that is primarily and principally for the purpose of storing fodder (food for livestock). It includes a structural improvement, a repair of a capital nature, or an alteration, addition or extension, to an asset or structural improvement, that is primarily and principally for the purpose of storing fodder.

You must incur the expenditure on the construction, manufacture, installation or acquisition of the fodder storage asset that is used primarily and principally in a primary production business you conduct on land in Australia. You may claim the deduction even if you're only a lessee of the land.

The term 'fodder' refers to food for livestock, usually but not exclusively dried, such as grain, hay or silage. Fodder can include liquid feed and supplements. Examples of fodder storage assets include silos, tanks, bins, sheds and above ground bunkers used to store grain and other animal feed.

You can deduct the capital expenditure you incur for a fodder storage asset. If you incurred the expenditure:

- **on or after 19 August 2018** – deduct the full cost of the fodder storage asset in the income year you incur the expense
- **from 7:30 pm AEST, 12 May 2015 to 18 August 2018** – deduct one-third of the amount in the income year in which you incur the expense, and one-third in each of the following 2 income years
- **before 7:30 pm AEST, 12 May 2015** – deduct an amount for its decline in value based on its effective life.

If you incurred the expenditure before 19 August 2018 and the fodder storage asset was first used or installed ready for use on or after 19 August 2018, deduct the full cost of the fodder storage asset in the income year you incurred the expense.

You'll need to amend your previous years' tax returns to claim the full cost of the fodder storage asset if both:

- the asset was first used or installed ready for use on or after 19 August 2018
- you claimed a deduction for part of the cost (for example, one-third) in previous years tax returns.

You reduce your deduction where the fodder storage asset isn't wholly used for either:

- carrying on a primary production business on land in Australia
- a taxable purpose – for example, for producing assessable income.

No deduction is available for capital expenditure incur to acquire a second-hand fodder storage asset unless you can show that no one else has deducted or could deduct an amount for earlier capital expenditure on the construction or manufacture of the asset or previous acquisition of the fodder storage asset under these rules.

These deductions aren't available to a partnership. You can allocate costs a partnership incurs on fodder storage assets to each partner who can then claim the relevant deduction for their share of the expenditure.

If you're a small business entity, you can choose to work out your deductions for fodder storage assets under these UCA rules or the simplified depreciation rules. Once you have made your choice, you can't change it.

## Horticultural plants (including grapevines)

A horticultural plant is a live plant or fungus that is cultivated or propagated for any of its products or parts.

You can claim a deduction for the decline in value of horticultural plants, if one of these conditions is true:

- you own the plant
- the plant is attached to land under a lease or quasi-ownership right granted to you by an Australian or foreign government body. This lease lets you carry on a business of horticulture on the land
- you hold a license to the land where the plant is and carry on a business of horticulture.

To meet the first two of these conditions, any holder of a lease, lesser interest or license (not yourself) must not carry on a business of horticulture on the land.

Your deduction for the decline in value of horticultural plants is based on the capital expenditure you incur in establishing the plants. This doesn't include the cost of purchasing or leasing land, or expenditure on draining swamp or low-lying land or on clearing the land. It would include, for example:

- the costs of acquiring and planting the seeds
- part of the cost of ploughing, contouring, fertilising, stone removal and topsoil enhancement relating to the planting.

You can't claim this deduction for forestry plants.

The period over which you can deduct the expenditure depends on the effective life of the horticultural plant. You can choose to work out the effective life yourself or you can use the effective life determined by the Commissioner, see **Effective life of an asset**.

If the effective life of the plant is less than 3 years, you can claim the establishment expenditure in full generally in the year in which the products or parts of the plant are first able to be harvested and sold commercially. If the effective life of the plant is 3 or more years, you can write off the establishment costs over the maximum write-off period, which generally begins at the start of what is expected to be the plant's first commercial season. If the plant is destroyed before the end of its effective life, you're allowed a deduction in that year for the

remaining unclaimed establishment expenses less any proceeds (for example, insurance).

## Plants with effective life of 3 or more years

For plants with an effective life of 3 or more years, use the table to work out the write-off rates and periods.

### Write-off rates and periods for plants with effective life of 3 or more years

Effective life	Annual write-off rate %	Maximum write-off period
3 to less than 5 years	40	2 years 183 days
5 to less than 6 $\frac{2}{3}$ years	27	3 years 257 days
6 $\frac{2}{3}$ to less than 10 years	20	5 years
10 to less than 13 years	17	5 years 323 days
13 to less than 30 years	13	7 years 253 days
30 years or more	7	14 years 105 days

Where ownership of the horticultural plants changes, the new owner can continue claiming the balance of the capital expenditure incurred in establishing the plants on the same basis.

If you're a primary producer and a small business entity, you must use the UCA rules to work out your deductions for horticultural plants, as these assets are specifically excluded from the simplified depreciation rules.

## Landcare operations

You can claim a deduction in the year you incur capital expenditure on a landcare operation for land in Australia.

The deduction is available to the extent you use the land for either:

- a primary production business
- in the case of rural land, a business for the purpose of producing assessable income from the use of that rural land, except a business of mining or quarrying.

You may claim the deduction even if you're only a lessee of the land.

A landcare operation is one of the following operations:

1. erecting fences to separate different land classes in accordance with an approved land management plan
2. erecting fences primarily and principally to keep out animals from areas affected by land degradation to prevent or limit further damage and assist in reclaiming the areas
3. constructing a levee or similar improvement
4. constructing drainage works (other than the draining of swamps or low-lying land) primarily and principally to control salinity or assist in drainage control
5. an operation primarily and principally for eradicating or exterminating animal pests from the land
6. an operation primarily and principally for eradicating, exterminating or destroying plant growth detrimental to the land
7. an operation primarily and principally for preventing or fighting land degradation other than by the use of fences
8. an extension, alteration or addition to any of the assets described in the first 4 points or an extension to an operation described in points 5 to 7.

A landcare operation also includes expenditure incurred on or after 1 July 2004 on:

- a repair of a capital nature to an asset that is deductible under a landcare operation
- constructing a structural improvement that is reasonably incidental to levees or drainage works deductible under a landcare operation

- a repair of a capital nature, or an alteration, addition or extension to a structural improvement that is reasonably incidental to levees (or similar improvements) or drainage works deductible under a landcare operation.

An example of a structural improvement that may be reasonably incidental to drainage works is a fence constructed to prevent livestock entering a drain that was constructed to control salinity.

No deduction is available for capital expenditure on plant, except for plant comprising certain fences, dams or other structural improvements. If the decline in value of plant isn't deductible under the landcare provisions, you work out the plant's decline in value using the general rules for working out a decline in value.

If you can deduct expenditure under both the carbon sink forests and landcare operation rules, you can only deduct it as expenditure on carbon sink forests.

Any recoupment of the expenditure may be included in your assessable income.

These deductions aren't available to a partnership. Expenses for landcare operations incurred by a partnership are allocated to each partner who can then claim the relevant deduction on their share of the expenditure.

Rural land irrigation water providers can claim a deduction for certain expenditure that they incur for a landcare operation. A rural land irrigation water provider is an entity whose business is primarily and principally supplying water to entities for use in primary production businesses on land in Australia or businesses (except mining or quarrying businesses) using rural land in Australia.

For more information, see [Guide to depreciating assets 2025](#).

If you're a small business entity, you can choose to work out your deductions for relevant depreciating assets relating to landcare operations under the UCA rules or the simplified depreciation rules. Once you have made the choice, it can't be changed.

## **Electricity connections and phone lines**

You may be able to claim a deduction over 10 years for capital expenditure you incur on:

- connecting mains electricity to land on which a business is carried on for a taxable purpose or upgrading an existing connection to that land
- installing a phone line on, or extending to, land on which a primary production business is undertaken.

You can include a recoupment of the deductible expenditure in your assessable income. As the expenditure is deductible over more than one income year, special rules apply to determine the amount of any recoupment you can include in assessable income in the year of recoupment and in later income years.

These deductions aren't available to a partnership. You can allocate costs a partnership incurs on connecting mains electricity or installing phone lines to each partner, who can then claim the relevant deduction for their share of the expenditure.

If you're a primary producer and a small business entity, you can choose to work out your deductions for relevant depreciating assets relating to electricity connections or phone lines under the UCA rules or the simplified depreciation rules. Once you have made the choice, it can't be changed.

## Carbon sequestration rights

Farmers and other landowners may manage or plant forests to participate in **carbon sequestration** activities. The carbon sequestration activities that contribute to greenhouse gas abatement are enabled by state legislation, and are governed by rules under relevant state legislation, related regulations and operating rules.

A carbon sequestration right is a CGT asset. There are CGT consequences of trading in carbon sequestration rights, which will depend on the facts and the way you carry out trade. For example, selling a carbon sequestration right to another entity before the end of a contract will trigger a CGT event as the sale will result in a change of ownership. A carbon sequestration right, as defined in NSW legislation, is a right of carbon sequestration given to you for an existing or future tree or forest on the land after 1990. This right is a CGT asset. Therefore, any capital gain made by a primary producer from the granting of that right may qualify for the small business concessions if the conditions for those concessions are satisfied.



You're not a **primary producer** if you plant, manage or establish trees for the sole purpose of carbon sequestration activities and those trees aren't intended to be felled in a business of forestry operations

Where you plant and maintain forests in the ordinary course of forestry activities, you may be entitled to a general deduction for the costs of planting and maintaining the forests. You're a primary producer for income tax purposes if you're engaged in 'forest operations' and those activities constitute the carrying on of a business. We outline the Deductions available to primary producers who engage in forest operations in Taxation Ruling TR 95/6 *Income tax: primary production and forestry*. The deductibility of these expenses isn't altered by the fact that you also derive income from carbon sequestration activities you carry on in conjunction with forestry activities.

You can't claim a general deduction for the costs of planting trees if the sole purpose is participating in carbon sequestration activities and you don't intend on felling those trees in a business of forestry. This is because the cost of planting in these circumstances is capital expenditure.

Capital expenditure for planting trees may receive other income tax treatment, depending on the context you incur the expenditure:

- For trees that are horticultural plants (that is, trees you use for the sale of their products or parts), the costs of establishment are written off by reference to the effective life of the plant. Trees that you use solely for carbon credit arrangements aren't cultivated or propagated for any of their products or parts and don't constitute horticultural plants for the purpose of applying the horticultural plant deduction under section 40-515 of the *Income Tax Assessment Act 1997*.
- For trees in a **carbon sink forest**, a deduction in certain circumstances is available for expenditure that you incur in planting or establishing trees primarily and principally for the purpose of carbon sequestration. For trees in a carbon sink forest established in the 2013 and later income years, you can claim a maximum capital write-off of 7% of the expenditure you incur in establishing the trees (conditions apply).
- For trees planted or established as a [landcare operation](#) (for example, to combat land degradation), an immediate deduction for establishment costs is available where the costs you incur are primarily and principally for such a landcare purpose.

- For trees and shrubs whose function is purely ornamental, capital expenditure may be deductible under the project pooling provisions, based on the project life.

The UCA provisions don't otherwise provide a deduction for capital expenditure for planting or establishing trees nor treat the trees as depreciating assets.

Continue to: [Valuing livestock](#)

Return to: [Small business entity concessions for primary producers](#)

QC 104640

## Valuing livestock

How to value livestock at the end of each income year as part of working out your net income from primary production.

**Published** 29 May 2025

### Stock on hand

You must value your livestock at the end of each income year as part of working out your net income from primary production.

You can choose to value livestock on hand at the end of the income year at cost, market selling value or replacement value. For certain horse breeding stock, an additional option is available, see Taxation Ruling TR 2008/2 *Income tax: various income tax issues relating to the horse industry; including whether racing, training and breeding activities (carried out as stand-alone activities or in combination) amount to the carrying on of a business.*

You may change the basis of valuation year by year and different valuation basis may be adopted for individual livestock. The value of your opening livestock on hand on 1 July 2025 should be the same as the value of your closing stock on 30 June 2024 that you used for your

tax return 2023–24. That is, you must use the same valuation method at the beginning of the new income year as you used at the end of the previous income year.

## Small business entities

You don't have to value each item of trading stock (including livestock) on hand at the end of 2024–25 or account for changes in the value of your trading stock for 2024–25, if:

- you are a small business entity for 2024–25
- you choose to access the simplified trading stock rules
- the difference between the value of all trading stock on hand at the start of 2024–25 and the value you reasonably estimate of all your trading stock on hand at the end of 2024–25 isn't more than \$5,000.

However, if you prefer, you can still conduct a stocktake and account for changes in the value of trading stock for 2024–25 even if the difference isn't more than \$5,000.

## Oyster farmers

Oyster farmers must account for oysters on hand as trading stock. This includes oysters held on sticks or slats, in trays or harvested and held ready for sale.

For more information, see [Oyster farmers calculating the value of trading stock](#).

## Bees

Entities carrying on a business of beekeeping for the purpose of honey production must account for **bees on hand as trading stock**. You may be eligible to use a simplified practice of valuing a live hive rather than accounting for the individual bees.

## Goods taken from stock for private use

If you take goods from stock for your own use, or for the use of your family members, you must account for the goods as if the stock had

been disposed of at cost.

This includes the situation where a grazier slaughters livestock for personal consumption or for rations for employees.

For more information, see *Tax Determination TD 2024/8 Income tax: value of goods taken from stock for private use for the 2024-25 income year*.

## Natural increase

The cost of an animal you hold as livestock that you acquire by natural increase is whichever of these you pick:

- actual cost of the animal
- cost prescribed by the Income Tax Assessment (1997 Act) Regulations 2021
  - cattle, horses and deer \$20
  - pigs \$12
  - emus \$8
  - goats and sheep \$4
  - poultry 35c.

If your business involves breeding exotic animals (for example, ostriches or alpacas), **contact us** to confirm the appropriate cost.

For more information, see **Primary production activities**.

You must value a horse you acquire by natural increase and include it in livestock on hand at a cost not less than the insemination service fee attributable to acquiring the horse.

Continue to: **Abnormal receipts**

Return to: **Depreciating assets and capital expenditure**

QC 104640

## Abnormal receipts

Check what type of abnormal receipts apply to you as a primary producer.

**Last updated** 29 May 2025

## Grants and subsidies

Generally, amounts received by way of grants or subsidies will be assessable either as ordinary income or statutory income. However, in certain circumstances, we may consider a specific grant or payment to be exempt income or non-assessable non-exempt income.

For more information, see:

- North Queensland flood recovery package
- Disaster support grants and deductions for business
- Taxation Ruling TR 2006/3 *Income tax: government payments to industry to assist entities (including individuals) to continue, commence or cease business.*

## Profit from forced disposal or death of livestock

You can elect to spread profit from the forced disposal or death of livestock over a period of 5 years. Alternatively, you can elect to defer the profit and use it to reduce the cost of replacement livestock in the disposal year or any of the next 5 income years. Include any part of the profit you don't use in assessable income in the fifth income year.

An election to spread or defer profits can be made where you dispose of the stock, or they die, because:

- land is compulsorily acquired or resumed under an Act
- a state or territory leases land for a cattle tick eradication campaign
- pasture or fodder is destroyed by fire, drought or flood and you will use the proceeds of the disposal or death mainly to buy replacement stock or maintain breeding stock for the purpose of replacing the livestock
- they're compulsorily destroyed under an Australian law for the control of a disease (including bovine tuberculosis) or they die of

such a disease

- you receive official notification under an Australian law dealing with contamination of property.

## Insurance recoveries

Where you have an assessable insurance recovery for loss of livestock or loss by fire of trees that were assets of a primary production business carried on in Australia, you can elect to include the amount in assessable income in equal instalments over 5 years.

## Double wool clips

Tax relief is available for the proceeds of the sale of 2 wool clips arising in an income year because of an early shearing caused by drought, fire or flood.

A wool grower can elect to defer the profit on the sale of the clip from the advanced shearing to the next year.

Continue to: [Tax averaging](#)

Return to: [Valuing livestock](#)

QC 104640

## Tax averaging

Check if tax averaging applies to you as a primary producer.

**Last updated** 29 May 2025

## What is tax averaging?

Tax averaging evens out your income and tax payable over a maximum of 5 years to allow for fluctuations. This ensures that you don't pay more tax over several years than taxpayers on comparable but steady

incomes. When your average income is less than your taxable income (excluding capital gains), you receive an averaging tax offset.

When your average income is more than your taxable income (excluding any capital gains), you must pay extra income tax. Your notice of assessment will show you the averaging details.

For more information, see [Tax averaging for primary producers](#).

## **Calculating tax averaging offset**

We calculate the amount of the averaging tax offset or extra income tax automatically and your notice of assessment will show you the averaging details. If you're unsure of this calculation, [contact us](#).

For more information on calculating the averaging tax offset, see [Tax averaging for primary producers](#).

## **Withdrawing from the averaging system**

If you wish, you may choose to withdraw from the averaging system for 10 income years and pay tax at ordinary rates. This means you pay tax on the same basis as taxpayers not eligible for averaging provisions. Once you make this choice, it will affect all your assessments for 10 income years and can't be revoked. After this period, your income will again be subject to tax averaging.

Where you can show a reduction in your basic taxable income is permanently less than two-thirds of your average income for that year you can, in certain circumstances, [choose to restart averaging](#).

[Continue to: Farm management deposits scheme](#)

[Return to: Abnormal receipts](#)

QC 104640

## **Farm management deposits scheme**

Work out how to deal with uneven income flows during prosperous years and less prosperous years.

**Last updated** 29 May 2025

## What is a farm management deposits (FMD) scheme?

The farm management deposits (FMD) scheme enables primary producers to deal with uneven income flows by making deposits during prosperous years and receiving repayments during less prosperous years.

**Farm management deposit accounts** are commercial products offered by financial institutions and coordinated by the Australian Government Department of Agriculture, Fisheries and Forestry.

Subject to certain conditions, you can deduct FMDs in the income year in which you make them. If any FMDs that you have previously claimed as a tax deduction are repaid, treat the repayments as assessable income in the income year they're made.

Amounts you repay within 12 months of deposit don't receive concessional treatment unless the repayment is due to a [natural disaster](#) or [severe drought](#).

The following repayments aren't assessable income:

- reinvested deposits, or extensions of the term of deposits, with the same FMD provider
- merged deposits, provided certain conditions are met
- transfers of the same deposit amount from one FMD provider to another, such as
  - electronic transfers from a liquidated authorised deposit-taking institution (ADI) to a new ADI
  - transfers by the Australian Prudential Regulatory Authority under the Financial Claims Scheme.

## Basic rules of the FMD scheme

The basic rules of the FMD scheme for 2024–25 are:



- the deposit must be made with an FMD provider
- the owner of the deposit must be a primary producer when the deposit is made
- the deposit must be made on behalf of only one person (deposits by 2 or more persons jointly, or made on behalf of 2 or more persons, aren't recognised as FMDs)
- deposits must be made by 30 June 2025 to qualify for a deduction in 2024–25
- the minimum deposit or repayment is \$1,000 and the total of all deposits held at any one time can't exceed \$800,000
- interest on FMD is assessable as income in the income year in which it is paid
- the tax deduction allowed for FMD in any income year is limited to the taxable income derived from a business of primary production in that year
- the amount held in an FMD can be used in an interest offset arrangement (that is, used to reduce the interest payable) on a loan or other debt of the FMD owner relating to the owner's primary production business.

You can hold FMDs with more than one FMD provider. You'll need to account for all your deposits when completing your tax return and ensure that they don't exceed \$800,000.

You can't claim a deduction for FMDs in 2024–25 if:

- your taxable non-primary production income for 2024–25 exceeded \$100,000
- you became bankrupt during 2024–25
- after you made the deposit in 2024–25, you stopped carrying on a primary production business and didn't start such a business again within 120 days.

Where a deposit holder died in 2024–25, a deduction isn't allowable for any deposits they made in 2024–25.

FMDs don't have to be 12-month fixed term deposits. They can be held in deposits of any term, provided no part of the amount is repaid within 12 months of the date of deposit.

You can withdraw part of a deposit within 12 months of making the deposit without losing the benefit of the tax deduction for the remaining amount. This remaining amount still qualifies for an FMD deduction, where it:

- remains in the account for at least 12 months
- doesn't fall below \$1,000.

A deduction isn't allowable for the part of the deposit that you repay.

If you claimed a deduction in 2023–24 for that part of the deposit that is repaid, you need to request an amendment of your assessment for 2023–24.

## **FMDs and natural disasters**

If you were affected by a natural disaster in 2024–25, you can access your FMDs within 12 months of making those deposits, without having to cancel your deduction. To be eligible in 2024–25, you must:

- make a relevant deposit before the relevant natural disaster
- receive Category C assistance under the Natural Disaster Relief and Recovery Arrangements in the form of a recovery grant for primary producers
- receive the first allocation of the recovery grant during the 12-month period after the day in which the deposit is made
- withdraw the funds from the FMD account after the recovery grant is first provided.


You must keep proof that you received the disaster assistance with your tax records.

## **FMDs and severe drought**

You can access your deposits early, without losing your concessional tax treatment, if you're eligible to claim the drought exception. You can claim this exemption if:

- for 6 consecutive months an area of your primary production property has been affected by rainfall that is within the lowest 5% of recorded rainfall for that area of your property

- publicly available rainfall records held by the Bureau of Meteorology confirm this low rainfall for the period of 6 months preceding the month the repayment is made
- for that 6-month period
  - you held the deposit
  - you're not involved solely in primary production industries like fishing, pearling, tree felling or tree transporting.

You can determine if your primary production property meets the rainfall requirements at a particular time by using the [FMD rainfall analyser](#)  on the Department of Agriculture, Fisheries and Forestry website.

To get concessional tax treatment, you need to ensure that any repayment of your deposit occurs before the end of the month immediately following that 6-month drought period.

If you claim the exception, you can't claim a deduction for deposits you made in 2024–25 after the early repayment.

Continue to: [Australian carbon credit units](#)

Return to: [Tax averaging](#)

QC 104640

## Australian carbon credit units

Work out if your entitlement to concessional tax treatment for Australian carbon credit units.

**Published** 29 May 2025

Australian carbon credit units (ACCUs) may be issued to primary producers under the *Carbon Credits (Carbon Farming Initiative) Act 2011* for eligible offsets projects. They may also be acquired from a third party such as a carbon credit service provider that holds such units.

If you're an eligible individual primary producer, you may have an entitlement to concessional tax treatment for any:

- eligible ACCUs you start to hold on or after 1 July 2022 as a result of an eligible offsets project associated with your primary production business
- income attributable to eligible ACCUs you receive from a partnership or trust that carries on a primary production business
- eligible ACCUs or eligible income you received from an eligible arrangement with a carbon service provider.

The concessions are available only to eligible individuals, and the conditions you need to meet, depend on if:

- you're carrying on a primary production business as a sole trader, or as a partnership
- you're the beneficiary of a trust that is carrying on a primary production business
- an arrangement with a carbon service provider is involved.

If you're an eligible primary producer, the concessions you may be entitled to are that:

- For the purposes of the **Farm Management Deposit (FMD) Scheme** and accessing the **income tax averaging** rules
  - the proceeds from the sale of eligible ACCUs will be treated as primary production income
  - related deductions will be treated as primary production deductions.
- You won't be assessed on the change in value of eligible ACCUs you started to hold on or after 1 July 2022 each year. You will only be assessed on the proceeds from the sale of eligible ACCUs first held on or after 1 July 2022.

For information on the tax treatment for ACCUs held before 1 July 2022, see **Registered emissions units**.

For more information including eligibility, see **Taxation of Australian carbon credit units for primary producers**.

Continue to: **Primary production worksheet**


Return to: Farm management deposits scheme

QC 104640

## Primary production worksheet

Use this worksheet to help you work out your income from primary production.

**Last updated** 29 May 2025

To help you work out your income from primary production, use our [Gross income from primary production worksheet \(PDF, 502KB\)](#) .

Keep your complete worksheet with your other records, if you use it.

Business and professional items schedule instructions 2025 explains where to include the amounts from the worksheet, labels PP1–PP11, at **P8 Business income and expenses** in the *Business and professional items schedule 2025*.

Return to: Who is a primary producer?

QC 104640

## Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year

before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

## **Copyright notice**

© Australian Taxation Office for the Commonwealth of Australia

You are free to copy, adapt, modify, transmit and distribute this material as you wish (but not in any way that suggests the ATO or the Commonwealth endorses you or any of your services or products).