Information for primary producers 2024

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Published 30 May 2024

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Who is a primary producer?

Check if you are considered a primary producer.

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

- **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. Taxation ruling **TR 97/11** *Income tax: am I carrying on a business of primary production?* gives a comprehensive explanation of the relevant indicators together with examples of the application of the indicators.

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

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Primary production losses

Check if non-commercial business losses apply.

Published 30 May 2024

Non-commercial business losses

Individuals with losses from carrying on non-commercial business activities (either alone or in partnership with others) may be required 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 superannuation contributions and total net investment losses, is less than $250,000 and your business activity satisfies **one of 4 tests**, or
- the Commissioner of Taxation exercises discretion to allow the loss to be claimed.

If the NCL measures do apply, the loss cannot be claimed in the year it arises. Instead, it is 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*.

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Small business entity concessions for primary producers

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

Published 30 May 2024

Choosing to access the small business entity concessions

If you are a primary producer and are a small business entity, you can choose to access the **small business entity concessions** that suit your business. You will 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 the ATO **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 **Stock on hand**.

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**.

Simplified depreciation rules

If you are an eligible small business entity, you may choose to calculate deductions for your depreciating assets using the **simplified** depreciation rules.

A small business entity can choose to claim deductions under either the simplified depreciation rules or the uniform capital allowance (UCA) rules for certain depreciating assets used in the course of carrying on a business of primary production. The choice is available for water facilities, fencing assets, fodder storage assets and depreciating assets relating to landcare operations, electricity connections and phone lines. Once you have made that choice, it cannot be changed. If you choose to use the simplified depreciation provisions with respect to 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.

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Depreciating assets and capital expenditure

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

Published 30 May 2024

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 2024**.

Water facilities

A water facility includes plant or a structural improvement, or an alteration, addition or extension to plant or a structural improvement, that is primarily and principally for the purpose of conserving or conveying water. Examples of a water facility are dams, tanks, tank stands, bores, wells, irrigation channels, pipes, pumps, water towers and windmills.

'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.

The expenditure on the water facility must be incurred by you 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 are 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.

Your deduction is reduced where the water facility is not 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 incurred 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 are not available to a partnership. Costs incurred by a partnership for facilities to conserve or convey water are allocated to each partner who can then claim the relevant deduction for their share of the expenditure.

Any recoupment of the expenditure may be included 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 to be included 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 are 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 2024**.

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/or general taxation 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 as a result of trading a water right also depends on your particular circumstances. If you are 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. The expenditure must be incurred by you 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 are 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. 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.

Your deduction is reduced where the fencing asset is not 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 incurred 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 are not available to a partnership. Costs incurred by a partnership on fencing assets are allocated to each partner who can then claim the relevant deduction for their share of the expenditure.

If you are 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.

The expenditure must be incurred by you 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 are 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 incurred 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 incurred 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 incurred 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 will need to amend your previous years' tax returns to claim the full cost of the fodder storage asset if:

- the asset was first used or installed ready for use on or after 19 August 2018, and

- you claimed a deduction for part of the cost (for example one-third) in previous years tax returns.

Your deduction is reduced where the fodder storage asset is not 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 incurred 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 are not available to a partnership. Costs incurred by a partnership on fodder storage assets are allocated to each partner who can then claim the relevant deduction for their share of the expenditure.

If you are 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, provided:

- you own the plants; lessees and licensees of land are treated as if they own the horticultural plants on that land
- you use the plants in a business of horticulture to produce assessable income.

Your deduction for the decline in value of horticultural plants is based on the capital expenditure incurred in establishing the plants. This does not 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 commences 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 are 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

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 6⅔ years	27	3 years 257 days
6⅔ 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 is entitled to continue claiming the balance of the capital expenditure incurred in establishing the plants on the same basis.

If you are 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 are 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 in order 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 combating 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 dot points or an extension to an operation described in the 5th to 7th dot points.

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 is not 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 the expenditure as expenditure on carbon sink forests.

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

These deductions are not available to a partnership. Expenses for landcare operations incurred by a partnership are allocated to each partner who can then claim the relevant deduction in respect of 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 2024**.

If you are 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.

A recoupment of the deductible expenditure may be included 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 to be included in assessable income in the year of recoupment and in later income years.

These deductions are not available to a partnership. Costs incurred by a partnership on connecting mains electricity or installing phone lines are allocated to each partner, who can then claim the relevant deduction for their share of the expenditure.

If you are 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 manner in which your trade is carried out. 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 considered to be inherently connected with a primary producer's land and can be an active 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 are not a primary producer if you plant, manage or establish trees for the sole purpose of carbon sequestration activities and those trees are not intended to be felled in a business of forestry operations; see **Who is a primary producer?**

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 are a primary producer for income tax purposes if you are engaged in 'forest operations' and those activities constitute the carrying on of a business. Taxation Ruling **TR 95/6** *Income tax: primary production and forestry* outlines the various deductions available to primary producers engaged in forest operations. The deductibility of these expenses is not altered by the fact that you also derive income from carbon sequestration activities carried on in conjunction with forestry activities.

A general deduction is not allowed for the costs of planting trees if the sole purpose is participating in carbon sequestration activities and those trees are not intended to be felled 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 in which the expenditure is incurred:

- For trees that are regarded as horticultural plants (that is, trees used 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 are used solely for carbon credit arrangements are not 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 incurred 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 are incurred 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**.

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Valuing livestock

Check how to value livestock at the end of each year as part of determining your net income from primary production.

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Stock on hand

You are required to value your livestock at the end of each year as part of determining 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. An additional option is available for certain horse breeding stock, 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 2023 should be the same as the value of your closing stock on 30 June 2023 that you used for your 2022–23 tax return.

Small business entities

You don't have to value each item of trading stock (including livestock) on hand at the end of 2023–24 or account for changes in the value of your trading stock for 2023–24 if:

- you were a small business entity for 2023–24
- you choose to access the simplified trading stock rules
- the difference between the value of all trading stock on hand at the start of 2023–24 and the value you reasonably estimate of all your trading stock on hand at the end of 2023–24 is not 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 2023–24 even if the difference is not more than $5,000.

Oyster farmers

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

Bees

Entities carrying on a business of beekeeping for the purpose of honey production are required to 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 are required to account for the goods as if the stock had been disposed of at its cost.

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

Natural increase

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

- actual cost of the animal
- cost prescribed by the regulations
  - cattle, horses and deer $20
  - pigs $12
  - emus $8
  - goats and sheep $4
  - poultry 35 cents.

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 acquired by natural increase and included in livestock on hand at a cost not less than the insemination service fee attributable to acquiring the horse.

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Abnormal receipts

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

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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, a specific grant or payment is considered 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. Any unused part of the profit is included 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 are 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 in relation to 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 101684

Tax averaging

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

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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 a number of 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. This is included in the tax assessed.

How is tax averaging calculated?

The amount of the averaging tax offset or extra income tax is calculated automatically and your notice of assessment will show you the averaging details. If you are unsure of this calculation, **contact us**.

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 will be taxed 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 cannot be revoked. After this period, your income will again be subject to tax averaging.

Where you can show the Commissioner that your basic taxable income is permanently reduced to 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**

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Farm management deposits scheme

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

Published 30 May 2024

What is a farm management deposits (FMD) scheme?

The **farm management deposits (FMD) scheme** is designed to enable 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 year in which you make them. If any FMDs that you have previously claimed as a tax deduction are repaid, the repayments are treated as assessable income in the year in which they are made.

Amounts that are repaid 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 are not 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 2023–24 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, are not recognised as FMDs)
- deposits must be made by 30 June 2024 to qualify for a deduction in 2023–24
- the minimum deposit or repayment is $1,000 and the total of all deposits held at any one time cannot 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 will need to account for all of your deposits when completing your income tax return and ensure that they don't exceed $800,000.

You can't claim a deduction for FMDs in 2023–24 if:

- your taxable non-primary production income for 2023–24 exceeded $100,000
- you became bankrupt during 2023–24

- after you made the deposit in 2023–24, 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 2023–24, a deduction is not allowable for any deposits they made in 2023–24.

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, provided:

- it remains in the account for at least 12 months
- it does not fall below $1,000.

A deduction is not allowable for the part of the deposit that is repaid.

If you claimed a deduction in 2022–23 for that part of the deposit that is repaid, you need to request an amendment of your assessment for 2022–23.

FMDs and natural disasters

If you were affected by a natural disaster in 2023–24, you can access your FMDs within 12 months of making those deposits, without having to cancel your tax deduction. To be eligible in 2023–24, you must meet **all** of the following requirements. You must have:

- made a relevant deposit before the relevant natural disaster
- received Category C assistance under the Natural Disaster Relief and Recovery Arrangements in the form of a recovery grant for primary producers
- received the first allocation of the recovery grant during the 12-month period after the day in which the deposit was made
- withdrawn the funds from the FMD account after the recovery grant was 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 are eligible to claim the drought exception. You are able to 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 in which the repayment is made
- for that 6-month period
  - you held the deposit
  - you are 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 obtain your 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 cannot claim a deduction for deposits you made in 2023–24 after the early repayment.

Continue to: **Australian carbon credit units**

Return to: **Tax averaging**

QC 101704

Australian carbon credit units

Work out if you are entitled to concessional tax treatment for Australian carbon credit units.

Published 30 May 2024

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

If you are an eligible individual **primary producer** you may be entitled 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 whether:

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

If you are 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 will not 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: **Worksheet**

Return to: **Farm management deposits scheme**

QC 101684

Worksheet

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

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To help you work out your income from primary production, there is a **worksheet (PDF 133KB)**. Keep the completed worksheet with your other records if you use it.

Business and professional items schedule instructions 2024 explains where amounts from the worksheet, labelled PP1–PP11, should be shown at **P8 Business income and expenses** in the *Business and professional items schedule 2024*.

QC 101684

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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.

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