



MANDATORY STATEMENT

As at 1st July 2016

ADDITIONAL TERMS & CONDITIONS FOR FARM MANAGEMENT DEPOSIT (FMD)

IMPORTANT NOTE! *The following information must be provided to you and read prior to completing an application for a FMD Account with Auswide Bank Ltd. The taxation implications of investing in an FMD account depend on your individual circumstances. You should consult your taxation advisor before deciding to invest in an FMD account.*

Authorised Deposit Taking Institution

The FMD provider, Auswide Bank Ltd ABN AFSL 239 686, issuing this application form is an authorised deposit taking institution for the purposes of the Banking Act 1959.

What is a Farm Management Deposit?

The FMD scheme was established by the *Taxation Administration Act 1953* and the *Income Tax Assessment Act 1997*. The FMD's scheme is designed to allow individuals carrying on a primary production business in Australia, with taxable non-primary product income of not over \$100,000, to shift before-tax income from years when they need it least to years when it is most needed. The scheme helps those individuals to manage their exposure to adverse economic events and seasonal fluctuations.

Eligibility criteria apply to individuals carrying on a primary production business in Australia under the scheme.

Tax Consequences of Farm Management Deposits

The FMD scheme allows individuals carrying on a primary production business in Australia to deduct the amount of any FMD they own from their assessable income for the income year in which the deposit is made. However, the amount of the deductions cannot exceed the owner's taxable primary production income for the income year.

Under the Pay as You Go system, owners may reduce their instalment income for an instalment period by the amount of FMD made during that period. The reduction is limited to the amount that the owners can reasonably expect to deduct for the deposit for the income year in which the deposit is made. However, the instalment income for the period cannot be reduced below nil.

When a FMD is repaid to an owner in an instalment period, the instalment income of the period will include the amount of the repayment. But the owner's instalment income will only include so much of the repayment as will be included in the owner's assessable income for the income year in which the repayment is made. If neither the owner's tax file number nor Australian Business Number has been quoted to Auswide Bank, the amount repaid will also be subject to withholding at a rate equal to the sum of the top marginal tax rate and the Medicare levy.

Important Requirements for Farm Management Deposits

Some of the requirements for FMDs are summarised below. There are also other requirements set out in the *Income Tax Assessment Act 1997*. A breach of some of the requirements will result in the deposit not being treated as an FMD, and the tax benefits will be lost.

You must read this section very carefully. To the extent that you control these, it is your responsibility to ensure the following special terms and conditions are complied with:

- The owner must be an individual who is carrying on a primary production business in Australia when the deposit is made.
- The deposit must be opened by only one individual and on behalf of only one individual and can not be held jointly, or otherwise, with any other person.
- Rights of the depositor are not, and must not be, transferable to another entity.
- The deposit must not be used as security for any amount owed to Auswide Bank or any other entity by the depositor or any other entity.
- The deposit must not be used, as a mortgage offset account or otherwise, to reduce the depositor's liability to pay interest on other debts to Auswide Bank.
- Interest or other earnings on the deposit must not be reinvested as an FMD with Auswide Bank without having first been paid to the depositor.
- If the depositor requests in writing, Auswide Bank must electronically transfer the deposit, or part of the deposit to another FMD provider that agrees to accept it as an FMD.
- Auswide Bank must not deduct any fees from the principal of an FMD. However, we may charge fees on the deposit.

Repayment of Farm Management Deposits

If you withdraw any part of a deposit made to your Auswide Bank Farm Management Deposit Account within 12 months after you deposited it into your Auswide Bank Farm Management Deposit Account, the amount withdrawn, or the entire deposit, may be taken to never have been a Farm Management Deposit unless:

- The deposit was made with Auswide Bank as a result of a transfer of a Farm Management Deposit from another financial institution, in which case you may withdraw the money 12 months after the applicable depositing day; or
- you die, become bankrupt or cease to be a Primary Producer for at least 120 days (in which case the deposit must be repaid); or
- the withdrawal comprises an electronic transfer of your Farm Management Deposit in your Auswide Bank Farm Management Deposit Account made by Auswide Bank (in accordance with your written request) to another financial institution which has agreed to accept the funds as a Farm Management Deposit; or
- at the time of the withdrawal, the primary production business was in receipt of Commonwealth natural disaster relief and recovery arrangements as specified in the Farm Management Deposits Regulations (as amended from time to time)
- The land on which the primary production business is carried on is experiencing severe drought conditions as defined for the purposes of the Income Tax Assessment Act and Farm Management Deposits Regulations (as amended from time to time)

If a partial withdrawal is made under any other circumstances within 12 months of the deposit, the Farm Management Deposit status will only be denied to the extent of the amount withdrawn. The balance, provided it is greater than \$1,000, will continue to be a Farm Management Deposit and the 12 month requirement will continue to apply to this amount.

Additional Information

- The minimum deposit threshold is \$1,000.00.
- The maximum deposit limit is \$800,000.00.
- An individual can own more than one FMD, and can own FMDs with different FMD providers, but the sum of the balances of all of the FMDs of an owner must not be more than the maximum deposit limit of \$800,000.00.
- The amount of any repayment of the deposit must be at least \$1000.00, except where the entire amount of the deposit is repaid.
- The taxable non-primary production income for the year of income must not exceed \$100,000.
- If the depositor has provided neither the depositor's Tax File Number nor the depositor's Australian Business Number, any repayment will be subject to the withholding rate, which is the sum of:
 - the top marginal tax rate for the income year in the year of deposit;
 - and
 - the Medicare levy.
- While legislation allows the use of a FMD to offset interest cost on primary production business debt, Auswide Bank does not provide this offset facility.

Industry (ANZSIC) Code

Please circle **ONE ONLY** option from the following list that best describes your income source. Select the most appropriate description for the major commodity produced in the year of the deposit:

- | | |
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| 0111 Nursery Production (undercover) | 0159 Other Crop Growing n.e.c |
| 0112 Nursery Production (outdoors) | 0160 Dairy Cattle Farming |
| 0113 Turf growing | 0171 Poultry Farming (meat) |
| 0114 Floriculture Production (undercover) | 0172 Poultry Farming (egg) |
| 0115 Floriculture Production (outdoors) | 0180 Deer Farming |
| 0121 Mushroom Growing | 0191 Horse Farming |
| 0122 Vegetable Growing (undercover) | 0192 Pig Farming |
| 0123 Vegetable Growing (outdoors) | 0193 Beekeeping |
| 0131 Grape Growing | 0199 Other Live Stock Farming n.e.c |
| 0132 Kiwifruit Growing | 0201 Offshore Longline & Rack Aquaculture |
| 0133 Berry Fruit Growing | 0202 Offshore Caged Aquaculture |
| 0134 Apple and Pear Growing | 0203 Offshore Aquaculture |
| 0135 Stone Fruit Growing | 0301 Forestry |
| 0136 Citrus Fruit Growing | 0302 Logging |
| 0137 Olive Growing | 0411 Rock Lobster and Crab Potting |
| 0139 Other Fruit & Nut Tree Growing | 0412 Prawn Fishing |
| 0141 Sheep Farming (Specialised) | 0413 Line Fishing |
| 0142 Beef Cattle Farming (Specialised) | 0414 Fish Trawling, Seining and Netting |
| 0143 Beef Cattle Feedlots (Specialised) | 0419 Other Fishing |
| 0144 Grain-Sheep or Grain-Beef Cattle-Farming | 0420 Hunting & Trapping |
| 0145 Sheep-Beef Cattle Farming | 0510 Forestry Support Services |
| 0146 Rice Growing | 0521 Cotton Ginning |
| 0149 Other Grain Growing | 0522 Shearing Services |
| 0151 Sugar Cane Growing | 0529 Other Agri & Fishing Support Services |
| 0152 Cotton Growing | OTHER ANZSIC CODE _____ |

Declaration by Applicant

Upon application and signing of an Auswide Bank Ltd Account Application form for a FMD (I35) and this Mandatory Statement, I agree to be bound by the terms and conditions contained in the booklet 'Your Guide to Auswide Bank's FMD Account' and the additional term and conditions contained in this Statement. I request Auswide Bank to receive the deposit as a Farm Management Deposit and to open a Farm Management Deposit for me. I declare that under the tax laws, I am eligible to make the deposit as a Farm Management Deposit. I understand I will be required to open another Auswide Bank account under the same client number to receive interest payments or deduct fees if applicable. You also acknowledge that information may be provided to the Australian Taxation Office or other body pursuant to statute.

Do you have an existing Farm Management Deposit with any other financial institution? **Yes / No**

If you answered yes to the above question will your balance be greater than \$800,000 across one or multiple Australian Deposit Taking Institutions? **Yes / No**

If you answered **yes** you will need to seek professional advice.

Are you transferring a deposit from another financial institution as part of this application? **Yes / No**

If you are intending to transfer a FMD from another financial institution, please complete a *Direct Debit Request Form* and attach it to this application.

Applicant Signature _____ Date ____ / ____ / ____

Auswide Bank Use Only

Branch No/Operator No. _____

Client Name _____

Account Number _____ I35 Linked Account Number _____

Note: Applicant is to read and be provided with a photocopy of this signed document with the FMD Account Terms and Conditions. The original copy of this document is to be attached to the Account Application form.