

Mandatory Statement - Additional Terms & Conditions for Farm Management Deposit (FMD) Account (\$35)

IMPORTANT NOTE! The following information must be provided to you and read prior to completing an application for a Farm Management Deposit Account with Wide Bay Australia 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.

What is a Farm Management Deposit?

The FMD scheme was established by the Income Tax Assessment Act (1936). The Farm Management Deposits scheme is designed to allow primary producers with a taxable non-primary production income of not over \$65000 to shift before-tax income from years when they need it least to years when it is most needed, to help them manage their exposure to adverse economic events and seasonal fluctuations.

Eligibility criteria apply to primary producers under the scheme.

Tax Consequences of Farm Management Deposits

The FMD scheme allows primary producers in the scheme to deduct the amount of any Farm Management deposit they own from their assessable income for the income year in which the deposit is made. However, the amount of the deductions cannot exceed your taxable primary production income for the year.

Under the Pay as You Go system, you may reduce your instalment income for an instalment period by the amount of farm management deposits made during that period. The reduction is limited to the amount that you 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 you withdraw funds from a Farm Management deposit in an instalment period, the instalment income of the period will include the amount of the withdrawal. But your instalment income will only include so much of the withdrawal as will be included in your assessable income for the income year in which the withdrawal is made. If neither your tax file number nor Australian Business Number has been quoted to Wide Bay, the amount withdrawn will also be subject to withholding at a rate equal to the sum of the sum of the top marginal tax rate and the Medicare levy.

Important Requirements for Farm Management Deposits

Some of the requirements for Farm Management Deposits are summarised below. There are also other requirements set out in the *Income Tax Assessment Act 1936*. 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:

- You must be a primary producer when the deposit is made.
- Your FMD account can only be opened in your name and can not be held jointly, or otherwise, with any other person.
- The deposit must not be made:
 - (i) by a trustee of a trust estate on behalf of a beneficiary, unless the beneficiary is presently entitled to a share of the income of the trust estate and is under a legal disability; or

- (ii) otherwise by a person in his or her capacity as a trustee.
- Your rights as depositor in respect to your FMD account are not transferable to another person.
- The deposit must not be used as security for any amount owed to Wide Bay or any other person by you or any other person.
- The deposit must not be used, as a mortgage offset account or otherwise, to reduce your liability to pay interest on other debts to Wide Bay,
- Interest or other earnings on the deposit must not be reinvested as an FMD with Wide Bay without having first been paid to you.
- If you request us to, Wide Bay must electronically transfer the deposit to another financial institution that agrees to as an FMD.
- Wide Bay must not deduct any fees from the principal of an FMD. However, we may charge fees on the deposit.
- You must not, at any time while you hold a FMD account with us, hold a FMD account with any other financial institution.
- A deposit made to your FMD account must be \$1,000 or more.
- The total amount deposited to your FMD account at any one time must not be more than \$400,000, and the total balance of all of your FMD accounts must not exceed \$400,000 at any time.

Repayment of Farm Management Deposits

To retain the tax benefits, no part of the deposit can be withdrawn in the first 12 months after it is deposited unless the withdrawal is made:

- in exceptional circumstances and the deposit was made before the declaration of exceptional circumstances; or if:
 - you die;
 - become bankrupt; or
 - cease to be a primary producer for at 120 days or more; or
 - you request the deposit to be transferred to another financial institution.

Except where the entire amount of your FMD account is repaid by us, the amount of any repayment must be \$1,000 or more.

Declaration by Applicant

Upon application and signing of a Wide Bay Australia Ltd ("Wide Bay") Account Application form for a Farm Management Deposit Account (S35) and this Mandatory Statement, you agree to be bound by the terms and conditions contained in booklet 'Your Guide to Wide Bay Australia Accounts & Services' and the additional term and conditions contained in this statement. You will be required to open another Wide Bay account under the same client number to receive interest payments. You also acknowledge that information may be provided to the Australian Taxation Office or other body pursuant to statute.

Applicant Signature _____ Date ____ / ____ / ____

Wide Bay Australia Use Only

Branch No/Operator No. _____

Client Name _____

Account Number _____ S35 Linked Account Number _____

ANZSIC Code _____

Note: Applicant is to read and be provided with a photocopy of this signed document with WBA's Guide. The original is to be attached to the Account Application form.