

DEPARTMENT OF AGRICULTURE WATER AND THE ENVIRONMENT

Farm Management Deposits Scheme evaluation 2021— Australian Government response

The Farm Management Deposits (FMD) Scheme was established in 1999 to help primary producers manage fluctuating cash flows and to increase their financial self-reliance.

The scheme allows eligible primary producers to set aside pre-tax income, which they can draw on in future years when they need it. Income deposited into an FMD account is tax deductible in the financial year the deposit is made. It becomes taxable income in the financial year it is withdrawn. This reduces the impact of marginal income tax rates on income that can be highly variable from year to year, while encouraging the accumulation of cash reserves necessary to manage difficult years.

The FMD Scheme demonstrates the Australian Government's ongoing commitment to strengthen the resilience of Australian farm businesses and communities.

| Number | Recommendation | Government response |
|---------------|---|--|
| 1. | Ensure consistency and alignment between the FMD Scheme and related government programs focussing on preparedness, resilience and recovery, including the Future Drought Fund. | <i>Agree</i> The government will consider the role of FMDs when building on existing policies, frameworks and programs that support preparedness, resilience and recovery outcomes. |
| 2. | Government programs and initiatives related to risk management and building drought resilience, including the FMD Scheme, are maintained as a strategic, integrated package, including a unified approach to communication and monitoring and evaluation. | <i>Agree</i> The government will work to incorporate FMDs in drought resilience and risk management initiatives, including coordinated communication and progressing standardised monitoring and evaluation principles. |
| 3. | The ATO considers undertaking specific and targeted communication with accountants and financial advisers on tax averaging for primary producers and how it relates to the FMD Scheme. | <i>Agree</i> The ATO will undertake targeted communication with tax professionals with clients that have FMDs, and how income tax averaging for primary producers applies to the FMD Scheme. |
| 4. | DAWE and ATO continue to work with the authorised deposit-taking institutions (ADIs) to improve the collection and reporting of data on the FMD Scheme, to improve transparency on the scheme's outputs and outcomes. | <i>Agree</i> DAWE and the ATO will continue to work with ADIs to improve the quality and integrity of FMD data. |

DEPARTMENT OF AGRICULTURE WATER AND THE ENVIRONMENT

| | | |
|----|--|--|
| 5. | DAWE finalise the FMD Scheme Monitoring and Evaluation Plan with the outcomes of this evaluation. | <p><i>Agree</i></p> <p>In 2022 DAWE will update and finalise the FMD Scheme Monitoring and Evaluation Plan, incorporating evaluation outcomes, including any revisions to FMD data collection and analysis protocols developed between DAWE and ATO.</p> |
| 6. | DAWE review the FMD Scheme Agency Responsibilities Interim Plan in early 2022 and prepare a new Memorandum of Understanding if appropriate. | <p><i>Agree</i></p> <p>In 2022 DAWE will review the FMD Scheme Agency Responsibilities Interim Plan and make a decision on its extension or replacement with a new Memorandum of Understanding.</p> |
| 7. | DAWE consider the cost-effectiveness of the mechanism used to determine whether FMD holders can access the early access provision of the FMD Scheme. | <p><i>Agree</i></p> <p>DAWE will examine the cost-effectiveness of the Rainfall Deficiency Analyser provided by the Bureau of Meteorology, including consideration of alternative options for assessing whether FMD holders are eligible for the early access provision.</p> |