

IMPORTANT INFORMATION ABOUT RURAL BANK



This notice dated 31 May 2019 varies and should be read together with the Rural Bank ONE Farm Management Deposit Important Information.

31 May 2019

To the Account holder,

Rural Bank Limited ABN 74 083 938 416 AFSL/Australian Credit Licence 238042 (**RBL**) is a wholly-owned subsidiary of Bendigo and Adelaide Bank Limited ABN 11 068 049 178 AFSL/Australian Credit Licence 237879 (**BEN**).

With effect from 31 May 2019 RBL transfers its assets, liabilities, business and undertakings to BEN in accordance with the Financial Sector (Business Transfer and Group Restructure) Act 1999 (Cth) including RBL's rights and obligations under the Terms and Conditions of the Product.

The effect of the legal transfer is that RBL ceases to operate as a stand-alone Authorised Deposit-Taking Institution. Rural Bank will be a division of BEN and all products and services previously provided by RBL are now products and services of BEN.

Unless stated otherwise, terms used in this notice have the same meaning given to them in the Terms and Conditions.

Changes to the Terms and Conditions (effective 31 May 2019) are outlined below:

- All references to RBL should be construed as a reference to Rural Bank - A Division of Bendigo and Adelaide Bank Limited ABN 11 068 049 178 AFSL 237879.
- As a result of the above change, all references to 'the Bank' will mean Bendigo and Adelaide Bank Limited.
- Any reference to a 'Rural Bank branch' or 'branch of Rural Bank' is a reference to a BEN branch using the Rural Bank name, logo and system of operations.

Please note the transfer will not affect fees and costs or the way in which your banking business is provided. You can continue to utilise Rural Bank branches, the Rural Bank website and telephone service.

RURAL BANK ONE FARM MANAGEMENT DEPOSIT IMPORTANT INFORMATION

Effective date: 11 November 2016

Authorised deposit-taking institution

The FMD provider issuing the application form is an authorised deposit-taking institution for the purposes of the Banking Act 1959.

What is a farm management deposit?

The farm management deposits scheme is designed to allow individuals carrying on a primary production business in Australia 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. We recommend you get advice from an independent tax adviser before opening a farm management deposit account.

Tax consequences of farm management deposits

The scheme allows individuals carrying on a primary production business in Australia 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 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 farm management deposits 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 farm management deposit 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 the FMD provider that holds the deposit, 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 farm management deposits are summarised below. There are also other requirements set out in the Income Tax Assessment Act 1997 ('the Act'). A breach of some of the requirements will result in the deposit not being treated as a farm management deposit, and the tax benefits will be lost.

- a) the owner must be an individual who is carrying on a primary production business in Australia when the deposit is made;
- b) the deposit must be made by only one individual and on behalf of only one individual;
- c) rights of the depositor are not, and must not be, transferable to another entity;
- d) the deposit must not be used as security for any amount that the depositor or any other entity owes to the FMD provider or any other entity;
- e) interest or other earnings on the deposit must not be invested as a farm management deposit with the FMD provider without having first been paid to the depositor;
- f) if the depositor requests in writing, the FMD provider must electronically transfer the deposit, to another FMD provider that agrees to accept it as a farm management deposit. This transfer request will be subject to a 31 day notice period except for reasons of hardship;
- g) the FMD provider must not deduct any fees from the principal of a farm management deposit. However, it may charge fees on the deposit.

Repayment of farm management deposits

The tax benefits are not retained for deposit amounts repaid within the first 12 months after the deposit was made, unless the repayment is made:

- a) because the owner:
 - i. dies; or
 - ii. becomes bankrupt; or
 - iii. ceases to carry on a primary production business in Australia and does not start carrying on such a business again within 120 days; or
 - iv. has requested the deposit, or part of the deposit, to be transferred to another FMD provider and the repayment relates to the transfer; or
- b) because the circumstances specified in subsection 393-40(3) of the Act or in regulations made for the purposes of that subsection, relating to repayment in the event of severe drought, exists; or
- c) because the circumstances specified in regulation 393-15, relating to repayment in the event of a natural disaster, exist.

If the deposit does not meet the above conditions it will convert to a Term Deposit.

Depositors may withdraw the deposit within 12 months of the original lodgement date, which is usually subject to a 31 day notice period, and still qualify for a Farm Management Deposit tax deduction on the remaining amount, as long as the remaining amount has been lodged for at least 12 months from the original lodgement date and the balance does not fall below \$1,000.

Note: Reduced interest may apply if a fixed rate FMD is transferred prior to its maturity date.

You should consult your taxation advisor prior to making the decision to transact on your Farm Management Deposit.

Additional information in relation to farm management deposits

The minimum deposit is \$1,000 and the maximum deposit is \$800,000.

An individual can own more than one farm management deposit, and can own farm management deposits with different FMD providers, but the sum of the balances of all of the farm management deposits of an owner claimed as a deduction must not be more than \$800,000.

The amount of any repayment of the deposit must be at least \$1,000, except where the entire amount of the deposit is repaid.

The deposit will not be deductible if taxable non-primary production income for the year of income must not exceed \$100,000.

If the deposit is used to offset a liability to pay interest on debts to the FMD provider that do not wholly relate to a primary production business that the owner (or a partnership of which the owner is a partner) carries on, the owner is liable to an administrative penalty of up to 200% of that offset.



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