



GE

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RE: Amendments to the Farm Management Deposit Scheme

General Electric (GE) commends the Australian Government's decision to implement the recommendation of the National Rural Advisory Council (NRAC) to increase the non-primary production income eligibility threshold for the Farm Management Deposit (FMD) Scheme from \$65,000 per annum to \$100,000 pa from July 1 this year.

In 2012, GE made representations to the then Minister for Agriculture, Fisheries and Forestry, Senator The Honourable Joe Ludwig, recommending an increase in the threshold in recognition of additional income streams for primary producers from the expansion of coal seam gas production and wind energy generation. GE is a technology supplier to both industries.

Minister Ludwig included the issue of the off-farm income eligibility in the terms of reference for the NRAC Inquiry into the Effectiveness of the FMD Scheme that commenced in 2012.

Through the NRAC inquiry, GE argued the additional revenue streams available to many producers hosting these projects could push their off-farm income beyond the current income limit, which was increased from \$50,000 pa to \$65,000 pa in 2005-06, and could render them ineligible to participate in the Scheme.

As the Explanatory Materials for the amendments to the *Income Tax Assessment Act 1997* ("the Act") state, the amendment will "*increase the amount of taxable non-primary production income that an individual may earn in an income year before being prevented from accessing the FMD tax concessions*".

In its submissions to NRAC and the Government, GE also proposed a further reform to broaden the definition of "*assessable primary production income*" under the Act to include revenue from projects, such as but not limited to, wind farms.

NRAC's report responded on this issue by stating:

"NRAC understands the rationale of stakeholders suggesting exemptions for some sources of non-primary production income from the income threshold criterion or amendments to the definition of primary production income to include additional activities. In relation to the former, NRAC considers it would be difficult to differentiate between potential exemptions in an objective way, given the wide range of circumstances and interests of individual farm businesses. In relation to the latter, the definition of primary production income is contained in taxation legislation and NRAC recognises that any amendment would have wide-ranging impacts beyond the FMD Scheme, such as income averaging provisions and other primary producer-specific taxation concessions."

Separately, the Australian Taxation Office inquired specifically for wind farms in 2012 (TD 2012/D9) –

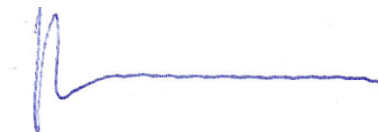
"Income tax: does ordinary income derived by an individual from allowing wind farming infrastructure to be constructed, operated and accessed on freehold land that they own and use in carrying on a primary production business constitute 'assessable primary production income' of that individual for the purposes of Division 392 of the Income Tax Assessment Act 1997?"

The ATO determined (TD 2013/2) that:

"As any income derived from allowing the construction and operation of and access to wind farming infrastructure is not from the primary production business being conducted on the land by the individual, such income is not 'assessable primary production income' for the purposes of Division 392 of the ITAA 1997."

GE believes the additional reform of broadening the definition of "assessable primary production income" should be further considered by the Government, particularly in the context of the current examination of assistance for drought-affected primary producers and the broader development of its Agricultural Competitiveness White Paper. This reform would underpin the diversification of farm incomes, reaffirm the value of the FMD Scheme to improve resilience of Australia's primary producers and improve co-existence between agricultural land use and new developments such as in the resource and energy sector.

If I can provide clarification or additional information, please contact me on (07) 3001 4339 or kirby.anderson@ge.com.



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