



# 2024 Drought Response

## Interest Free Loan

## Scheme Guidelines

V – 20240613

### Background

Many agricultural areas in Western Australia are experiencing drought conditions due to unseasonably low rainfall and higher-than-average daytime temperatures since at least October 2023.

This has resulted in a shortage of on farm water supplies and concerns about availability of fodder for livestock, particularly in the South West Land Division. Many farm businesses are incurring additional costs as a result of these drought conditions.

### Loan Scheme Objective

In response, on 26 April 2024, the Minister for Agriculture and Food announced a package that included \$4 million in interest-free loans for farmers impacted by drought conditions.

Farm businesses impacted by the drought conditions can apply for a loan of \$25,000 per business to help cover the cost of stockfeed, water, transportation, and other infrastructure that supports drought resilience.

### Features

- The Rural Business Development Corporation (RBDC) administers this Scheme through the Department of Primary Industries and Regional Development (DPIRD).
- The Scheme offers an interest free loan of \$25,000 to support eligible primary production businesses directly impacted by the current drought conditions.
- No interest will be charged on the outstanding loan amount during the 5-year term of the loan.
- Loans are to be secured by a caveat, registered against an acceptable real estate property.
- Loans are for a maximum term of five years, with no repayments for the first two years. After the initial two years, the loan must be repaid during years three to five by 6-monthly payments or repaid in full earlier if the securing property is sold or at the request of the borrower.
- The availability of loans is subject to funds being available. The application closing date will be 30 November 2024 or when funding is fully committed, whichever occurs first.

## Enquiries

Information for the current drought conditions can be found at [agric.wa.gov.au/dry-seasons-and-drought/season-2024-information-wa-farmers](http://agric.wa.gov.au/dry-seasons-and-drought/season-2024-information-wa-farmers).

Questions regarding this loans Scheme can be directed to DPIRD's Rural Business Development Unit by emailing [ruralbusiness.developmentunit@dpiird.wa.gov.au](mailto:ruralbusiness.developmentunit@dpiird.wa.gov.au) or by phoning 08 9368 3082 before the Scheme closing date.

## Eligibility criteria: who can apply?

To be eligible for a loan, the applicant must:

- Be operating a farm business, on a property within Western Australia (Note – a farm business is a primary production business that excludes Aquaculture, Forestry and Logging, Fishing, Hunting and Trapping, and Support Services).
- Have an ABN since at least 1 July 2021 and be registered for GST.
- Operate as a sole trader, partnership, trust or private company.
- Have owners or beneficiaries who, collectively, earn more than 50% of their total income from primary production in a normal year.
- At least one member of the applicant business spends at least 50% of their time on the farm business
- Have gross farm income between \$200,000 and \$2.0 million in a normal year.
- The applicant must have an equity ratio between 50% and 70%, and no greater than \$4 million based on their Statement of Assets & Liabilities
- Off-farm assets to be no greater than \$2.0 million (excluding assets in a complying superannuation fund)
- The applicant has not held funds in a Farm Management Deposit account since 1 January 2024.
- Demonstrate they have incurred direct costs of at least \$25,000 on expenditure directly due to the impact of this dry season such as stockfeed and its transportation, water including cartage, transportation of livestock, or other drought preparedness measures.

## Documents that need to be provided:

- Rates notice and/or lease/share farm agreement for the main farm property.
- Last two years business tax returns, balance sheets and financial statements of the applicant farm business (these include profit and loss statements, livestock trading account). Tax assessment notices are not adequate.
- Last two years individual taxation returns. Tax assessment notices are not adequate.
- Trust deeds (a full executed, signed and certified Trust deed and any amending supplementary deed for all trusts involved in the business structure) (if applicable)
- Current (01 Feb 2024 onwards) Statement of Assets and Liabilities of the applicant business, including individual members of the partnership, family trust, or company.
- Quarterly BAS statements from the date of the last prepared financial statements.
- Confirmation of existing debt e.g. loan/bank statements.
- A certified copy of documents that satisfy 100 point check requirements for the applicant, trustees, shareholders with greater than 25% shareholding, all authorised signatories (who would be signing a loan agreement), or persons with effective control.
- Most recent bank statement that matches applicant details.
- Property Identification Code (PIC) for those with livestock.

- The applicant declares in their application that they have not held funds in a Farm Management Deposit account since 1 January 2024.
- Invoices that show expenditure of more than \$25,000 that has been incurred as a result of the dry season. Invoices since 01 December 2023 are acceptable. Expenditure would be on stockfeed, water, transportation, or the establishment of feed silos, water tanks, improved irrigation systems, or any other infrastructure that supports drought resilience.

## Eligibility criteria: who cannot apply?

- Applicant entities that are trading insolvent, under external administration or bankruptcy.

## Assessment criteria

- The applicant's name corresponds to DPIRD's databases, rates notice / lease sharefarm agreement and bank statement.
- ABN was registered prior to July 2021.
- Only one loan is permitted per ABN.
- Farm business is commercially viable, with an ANZSIC code starting with 01
- Loan is to be secured by registered caveat over all of the applicant's real estate property, provided there is adequate loan to security value. Property value will be determined from the Statement of Assets & Liabilities. As an exception, the caveat may be registered against only some of the applicant's total properties provided the property is deemed acceptable and all other criteria (including LVR) are met
- Where securing property is owned by a related or third party, a guarantee from that party will also be required (in the Loan Facility Agreement)
- Where the applicant is a company or trust, a personal guarantee from director/shareholders or trustees will be required (in the Loan Facility Agreement)
- Applicants must be able to demonstrate an ability to repay the loan within the approved terms (this will be based on the RBDC's assessment of information provided)
- The applicant must have owned or leased the property since at least 1 July 2021
- Applications will be assessed against the eligibility criteria and the evidence provided in the application.
- During the assessment process, the RBDC through DPIRD may, at its discretion, require further information. This information must be provided within 10 business days, unless otherwise advised.
- Failure to provide further requested information within the timeframe may result in the application being unsuccessful.
- Applicants will be advised via email of the outcome of their application, following completion of the assessment process.

## Eligible expenditure of the Loan

Expenditure would be on stockfeed, water transportation, or the establishment of feed silos, water tanks, improved irrigation systems, or any other infrastructure that supports drought resilience.

## Timeframes

No applications will be accepted after the Scheme has closed. The RBDC, through DPIRD, reserves the right to close the Scheme at any time, including when funding has been fully utilised. In this situation, a notice of the closure will be published on DPIRD's website [www.dpird.wa.gov.au](http://www.dpird.wa.gov.au).

Description	Date/time
Scheme open	5pm, 21 June 2024
Scheme closes	Midnight, 30 November 2024, or when funding is exhausted
Application assessment	In order of receipt of application. Failure to provide the required information may impact assessment and notification timeframes
Application approvals	In order of assessment
Application notification of decision	Notifications of application outcomes may take up to 10 business days.  Approved applicants will be emailed an approval Letter of Offer, a Loan Facility Agreement, and Direct Debit form to be signed by required parties.
Payment to successful applicants	Once a correctly signed Loan Facility Agreement and Direct Debit form has been signed and returned to DPIRD, the RBDC will also sign it. Once signed by all parties, the State Solicitor's Office (SSO) will be requested to lodge a caveat on behalf of the RBDC over land as agreed to in the Loan Facility Agreement.  Once DPIRD receives advice from the SSO that the caveat has been lodged, DPIRD will pay the loan amount to the successful applicant.  Once the caveat has been lodged, it would be expected that approved loan client's will be paid within 10 business days.

## Loan payments

These loans have a maximum term of five years and are expected to be cleared by then. Loans not repaid by the end of the five-year loan term will be charged interest at a commercial rate, raised 6 monthly on each 31 March and 30 September.

To facilitate repayment of the loan during years three to five, five principal payments of \$5,000 will be scheduled each 6 months during that period (each 31 March or 30 September).

In addition to applicants signing a Loan Facility Agreement, a signed Direct Debit form will be required. The bank account nominated on the Direct Debit form must be the same as the business that applied for the loan.

Providing incorrect bank account details may result in funds being paid to an incorrect account. These funds will need to be returned to us before we attempt another payment. This process may result in significant delays in funding being received. Additionally, we cannot guarantee that funds paid to an incorrect bank account will be returned to us.

If the information provided to us is found to be false or misleading, the recipient will be required to return all of the funds to DPIRD.

## **Taxation and financial implications**

No Goods and Services Tax (GST) will apply to this loan.

Applicants may wish to seek independent advice about the possible tax implications for receiving the loan under the Scheme from a tax advisor, financial advisor and/or the ATO, prior to submitting an application.

## **Financial Implications**

Obtaining this loan may affect the applicant's other financial arrangements e.g. through financial covenants and caveat lodgement. If in doubt, the applicant should refer to their professional advisor or financier(s) prior to submitting an application.

### **Important Disclaimer**

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