

AgRebuild Loan (North Qld flood) guidelines

Loans for disaster recovery

June 2019



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1 Summary

The Regional Investment Corporation (RIC) is offering AgRebuild Loans to help eligible farm businesses restock, replant and recover from the North and Far North Queensland Monsoon Trough from 25 January to 14 February 2019 (**North Queensland flood**). AgRebuild loans are available to help farm businesses to refinance (restructure existing debt).

To qualify for a loan, you must meet eligibility criteria (see sections 3.1 and 3.6 below).

AgRebuild Loans are for up to \$5 million (see section 5.1). The loan term is 10 years (see section 5.2). There is an interest free period of two years (see section 5.2). A variable interest rate applies to the loans (see section 5.3).

After reading these guidelines you may wish to contact us to discuss your individual circumstances before deciding whether to apply. You can contact us on 1800 875 675, via email to loans@service.ric.gov.au or visit ric.gov.au. When you are ready to apply, complete the [application form](#).

Your application must be submitted to us on or before 30 June 2020.

2 About the AgRebuild Loan

The Australian Government, through the RIC, is providing AgRebuild Loans to eligible farm businesses. The loans aim to support farm businesses in their long-term recovery and rebuilding efforts and ensure they remain resilient and profitable.

Farm businesses must be experiencing **hardship** or **extreme hardship** (see sections 3.3 and 3.4) and have sound prospects of long-term financial viability (see section 3.5).

The AgRebuild Loan is part of a range of support and risk management measures provided by the Australian Government.

See the [glossary](#) for definitions of key terms.

3 Who can apply

3.1 Eligibility criteria

You can apply for an AgRebuild Loan if your **farm business**:

- has suffered direct damage as a result of the **North Queensland flood** (see section 3.2)
- is experiencing **hardship** as a direct result of the **North Queensland flood** (see section 3.3)
- is experiencing **extreme hardship** because of total or majority loss of stock or crops as a direct result of the **North Queensland flood** (see section 3.4)

- has sound prospects of ongoing financial viability (see section 3.5)
- meets additional eligibility criteria (see section 3.6).

3.2 Direct damage from the North Queensland flood

If your farm business was directly affected by and is experiencing **hardship** as a result of the **North Queensland Flood** and you are located in one of the following Local Government Areas (LGAs) then you are eligible (subject to meeting other criteria). The LGAs that have been identified as being affected are:

- Burdekin
- Burke
- Carpentaria
- Cloncurry
- Douglas
- Flinders
- Hinchinbrook
- McKinlay
- Richmond
- Townsville
- Winton.

However, if you are not located in one of the above LGAs and have a Department of Agriculture and Fisheries (DAF) Individual Disaster Stricken Property (IDSP) Notice, you may still be eligible.

3.3 Hardship

To be eligible for an AgRebuild Loan, your **farm business** must be experiencing **hardship** because of the **North Queensland flood**.

If your farm business is experiencing **hardship** as a direct result of the flood, you must demonstrate that your business is experiencing a significant financial impact. To do this, you may give evidence of:

- large reductions or projected reductions in the farm business's net cash flow
- damage to or projected damage to production and/or yields
- large reductions in operating margins or projected operating margins (the percentage margin of farm receipts over farm operating expenses)
- increases in flood-related operating expenses, particularly fodder and agistment expenditure
- large reductions in livestock numbers through forced sale or losses.

You must give evidence that the financial impact is directly related to flood conditions. For example, you may give evidence of:

- forced destocking through forced sales and movement of stock to agistment or feedlots
- feeding purchased fodder to flood-affected stock

- crop failure or reduced yields as a result of flood
- a significant increase in the price of purchased feed as a result of flood conditions
- expenditure related to helping the business recover from flood conditions (for example, restocking, replanting and refencing)
- other flood management strategies adopted to manage the farm business during the recovery phase. You cannot receive a farm business loan for hardship where, because of receiving the loan, your farm business would have:
 - more than 50 per cent of its total debt in **Commonwealth-funded concessional loans**, or
 - refinanced more than 50 per cent of its existing **commercial debt**.

3.4 Extreme hardship

To be eligible for an AgRebuild Loan on the grounds of **extreme hardship**, your **farm business** must have lost all, or the majority, of its stock or crops as a result of the **North Queensland flood**.

If you are granted a loan on the grounds of **extreme hardship**, your **farm business** can hold up to 100 per cent of its debt in **Commonwealth-funded concessional loans**.

3.5 Sound prospects of ongoing financial viability

To be eligible for an AgRebuild Loan, your **farm business** must be financially viable, or have sound prospects of returning to financial viability within the term of the loan.

A **farm business** is considered financially viable when the business generates enough net profit after fixed and variable expenses to:

- service borrowings at commercial interest rates
- provide an **adequate standard of living** for relevant **members of the farm business**
- allow investment on-farm to maintain the farm's productive assets
- provide funds for investment that increases long-term productivity.

3.6 Additional eligibility criteria

In addition to the criteria listed in sections 3.1 to 3.5, to be eligible for an AgRebuild loan:

1) Your **farm business** must:

- a) have the capacity to repay the loan
- b) be able to provide security for the loan, and that security must be sufficient and satisfactory (see section 6 below)
- c) unless you are in **extreme hardship**, have existing commercial debt, and your commercial lender (if applicable) must support your application
- d) be involved within the agricultural, horticultural, pastoral, apicultural or aquacultural industries
- e) undertake all primary production aspects of the business wholly within Australia

- f) operate as a sole trader, partnership, trust or private company
 - g) be registered for tax purposes in Australia with an ABN and be registered for GST
 - h) not be under **external administration** or bankruptcy.
- 2) At least one **member** of your farm business:
- a) is an Australian citizen or a **permanent resident**
 - b) has experience operating a farm business, and
 - c) has the farm business as their principal business pursuit, where they contribute the majority of their labour and where they derive the majority of their income.

3.7 Evidence and supporting documentation

As part of your **application** process, you may be asked to provide evidence that your **farm business** meets the eligibility criteria (see sections 3.1 and 3.6). The types of evidence you will need will depend on the individual circumstances of your farm business. Contact us if you would like to discuss your application before compiling supporting documentation.

4 Loan uses

4.1 Eligible loan uses

You may use an AgRebuild Loan for:

- 1) replacing lost stock or crops
- 2) replanting crops
- 3) restore or replace on-farm infrastructure lost or damaged as a result of the **North Queensland flood**
- 4) meet operating expenses relating to damage arising out of the **North Queensland flood** (see section 4.2)
- 5) refinancing existing debt (see section 4.3)

There are certain ways that you must not use an AgRebuild Loan. See section 4.4 for a list of non-eligible uses.

4.2 Operating expenses

Operating expenses can include expenses such as:

- cost of transporting livestock or produce during and directly after the floods
- costs associated with obtaining other finance (such as an overdraft or a line of credit) to enable the farm business to continue operating, and
- costs of obtaining any alternative accommodation required as a result of the floods.

These are just examples — it is not a complete list. Contact us if you are not sure whether the activities you would like to undertake are eligible.

4.3 Refinancing

You may use your AgRebuild Loan to refinance:

- **commercial debt.** In cases of **hardship**, you can refinance up to 50 per cent of existing commercial debt. In cases of **extreme hardship**, you can refinance up to 100 per cent of existing commercial debt.
- **government-funded concessional loans** (if you wish to refinance an existing concessional loan, see section 5.5).

4.4 Non-eligible loan uses

You must use your AgRebuild Loan only for allowed purposes (see section 4.1). You may not use your loan:

- to purchase private and domestic assets
- to pay private and domestic expenses
- to purchase and/or invest in **non-farm assets** and expenses
- to pay **tax and statutory payments**
- to meet your own labour costs
- to be reimbursed for depreciation of assets
- to pay dividends or other distributions of equity to owners
- for specific activities funded under other Commonwealth and state or territory government programs (except for debt that is refinanced from other concessional loans).

These are just examples — it is not a complete list. Contact us if you are not sure whether the activities you would like to undertake are eligible.

5 Loan features

5.1 Loan amount

You can apply for a loan of up to \$5 million.

Under hardship provisions only:

- Farm businesses may apply to *refinance* up to 50 per cent of their commercial debt.
- Farm businesses may apply for *new debt* up to the amount they already hold as commercial debt.

Figure 1 gives examples of the maximum value of a loan for 'refinancing' and 'new debt' if a farm business holds \$800 000 in commercial debt before applying for an AgRebuild Loan.

Figure 1 Maximum value of loan if commercial debt is \$800 000

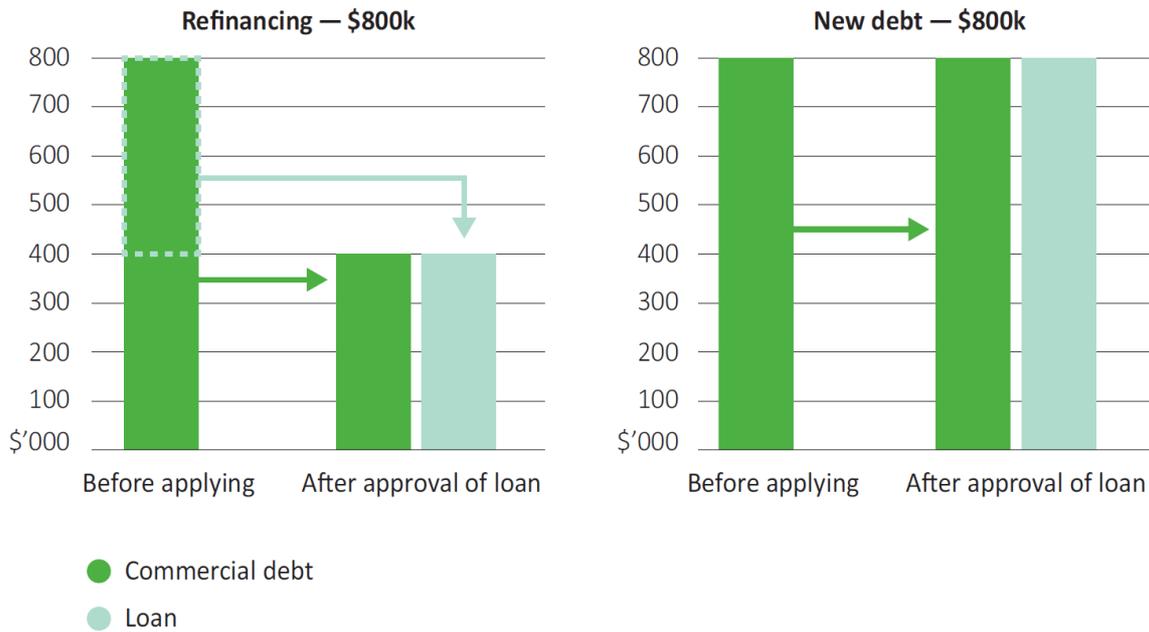
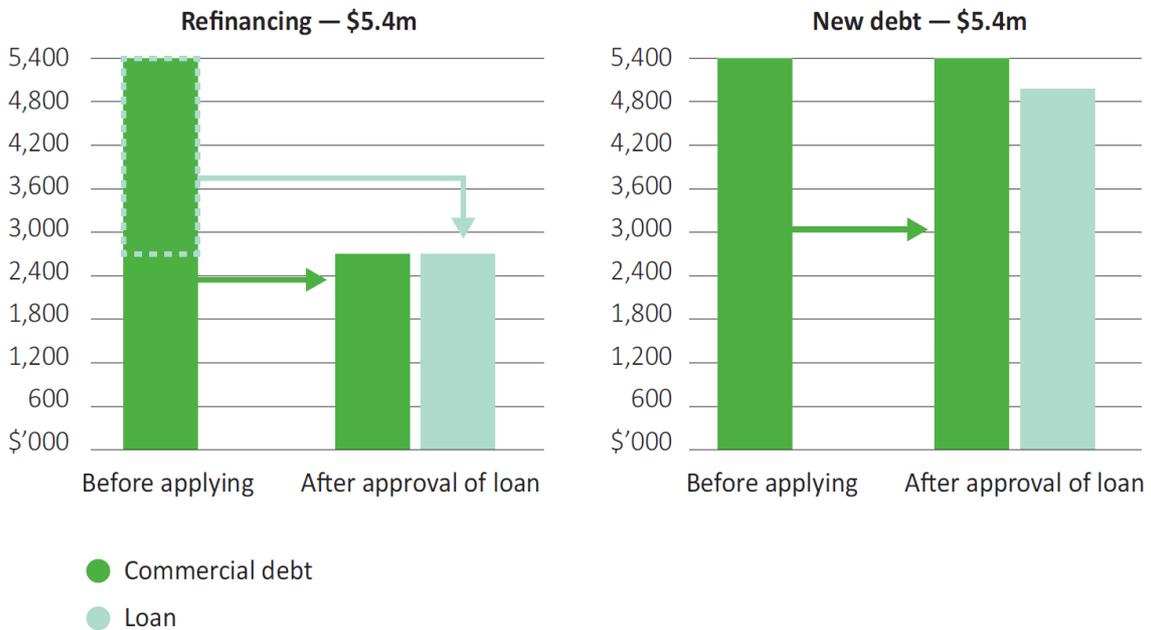


Figure 2 gives examples of the maximum value of a loan for ‘refinancing’ and ‘new debt’ if a farm business held \$5.4 million in commercial debt before applying for one of our loans.

Figure 2 Maximum value of RIC loan if commercial debt is \$5.4 million



Note: Under a new debt of \$5.4 million, the loan amount does not match the amount held in **commercial debt** because the maximum amount of a loan is capped at \$5 million.

5.2 Loan term and repayments

The term of an AgRebuild Loan is 10 years.

For the first two years the loans are interest free. For the next three years loan recipients make interest-only repayments; and for last five years they make principal and interest repayments.

Your principal repayments will be calculated using a longer loan term. This means that only a proportion of the principal will be repaid during the life of the loan. At the end of the loan term, you must repay or refinance any remaining loan balance through commercial finance (or repayment by other means).

We will detail loan repayment amounts and frequency in the loan agreement. At any time during the loan term, you can prepay the whole or any part of the loan without being charged a fee.

You cannot redraw on repaid AgRebuild Loan amounts.

5.3 Interest rate

For years 3 to 10 of the loan term, your AgRebuild Loan will have a variable interest rate. The current interest rate is published on [our website](#). We will review the interest rate every six months. We revise the interest rate if there are material changes to the Commonwealth 10-year bond rate (a material change is a movement of more than 10 basis points (0.1 per cent)).

If we make an interest rate change, the new interest rate will take effect from 1 February and/or 1 August each year depending on when we review the interest rate. We will notify you of any changes in writing and on our website.

We will determine how interest is calculated and charged and set this out in the **loan agreement**.

5.4 Loan draw-down

If your loan application is successful, you must fully draw down your AgRebuild Loan from us within six months of signing the **loan agreement** or as otherwise agreed with us.

We will pay loans for refinancing directly to the **farm business's** existing commercial bank or financial institution. We will set out details for payment of the loan in the **loan agreement**.

We will pay loans for new debt to the Australian bank account of the farm business that you or relevant third parties nominate at the time of settlement.

5.5 Relationship with other concessional loans

5.5.1 Refinancing a government-funded concessional loan

If you hold a **government-funded concessional loan**, you may be eligible to refinance some or all of the loan with us if you meet the eligibility criteria listed above. You can refinance existing concessional loans either in full or in part. The refinanced loan must be drawn in the same name.

5.5.2 Applying for more than one loan with us

If you have already received another loan from us, you may still be eligible to apply again if you meet the eligibility criteria at the time of application.

6 Loan security

If your loan application is successful, you must provide us with sufficient and satisfactory security that meets our security requirements. The security you provide can include one or a combination of:

- a registered mortgage over land or other assets satisfactory to the RIC
- any other security that we consider necessary.

We will consider livestock, water allocations and other chattels as possible loan securities on a case-by-case basis. We will settle mortgage priority arrangements through mutual agreement with the **applicant** and your **farm business's** commercial lender (if applicable). We will decide what constitutes sufficient and satisfactory security based on the individual circumstances of an applicant and the farm business.

Where applicable, assets you provide as security must be insured (for example, against fire or flood) to the level we require.

We reserve the right to act under our securities if you do not comply with the terms and conditions of the loan or you default on loan repayments.

7 How to apply

To ensure your **application** has addressed all the requirements:

- 6) Read these guidelines.
- 7) Discuss your individual circumstances with us.
- 8) Consider discussing your application with, or seeking assistance from, a trusted advisor, your local Rural Financial Counsellor and your commercial lender (if applicable).
- 9) Read and complete the application form and gather your supporting documents.
- 10) Submit your application and supporting documents by post, email or fax.

Further information on how to address each of the eligibility criteria can be found in the application form.

If you need assistance, contact us on 1800 875 675 or via email at loans@service.ric.gov.au.

8 How we assess applications

We will assess **applications** in accordance with these guidelines, the *Regional Investment Corporation Act 2018* (Cth) and any additional ministerial direction made under the Act.

When we make our loan assessments, we will refer to information you have provided as well as information we gather from our own independent investigations and background checks. For example, we may get your credit history from credit reporting agencies if required.

We will assess applications against the eligibility that are in place at the time you lodge your completed application. We may review and amend these criteria in the future.

We will assess applications through a non-competitive priority process based on the order of receipt. To be eligible, **applicants** and their **farm businesses** must meet the requirements set out in these guidelines.

Loan offers will be subject to the availability of funds and will be made at our discretion. Lodging an application does not guarantee that you will receive an AgRebuild Loan.

When assessing applications, we will verify the information you give us. We may liaise with you, your banker and professional advisor to confirm and verify documentary evidence and information you have submitted.

If you lodge an **incomplete application**, we will contact you to let you know what extra information we need. You can provide the missing information without lodging a new application as long as we receive it within the time frame that we give you. If your application remains incomplete within that time frame, your application will be declined.

Before applying for an AgRebuild Loan or making any decision, you should seek advice from your legal, business and financial advisors. You are responsible for all costs you incur in preparing and lodging your application.

9 Loan funding availability

AgRebuild Loans will be granted for as long as funds are available. If the funding allocation is fully committed, we will not consider any further **applications**. If this happens, we will publish on our website a notification of the early closure and those who have already lodged an application will be advised in writing.

10 Notifying applicants of loan decisions

We will give you a formal written notification of the assessment outcome. If your **loan application** is declined, we will give you the reasons for the decision.

If your loan application is accepted, you must sign a **loan agreement** with us. This will set out the terms and conditions of the loan, including the requirement for you to provide sufficient and satisfactory security (see section 6).

You must pay any actual costs of establishing the loan. Costs might include title searches, mortgage registrations, personal property securities register searches and registrations, and personal and corporate background checks.

11 Decision review process

If you are not satisfied with our decision on your **loan application**, you can ask us to review our loan decision. You must submit the request for a review in writing to us within 30 business days of receipt of the decision notification.

You should ensure you give us enough information to undertake a review. You must give us the reasons you are not satisfied with the decision and address the issues identified in the decision notification. In your review request, you could consider:

- explaining why you disagree with our assessment that you did not meet the eligibility criteria
- outlining the factors you believe we may have overlooked in determining your eligibility
- providing additional relevant information that was not included in your original application and that you believe may alter the assessment outcome.

Within 30 business days of receiving a request for a review, the Chief Executive Officer or a delegate not involved in the original decision will review the decision, make a determination and let you know the outcome.

Written requests to review a decision should be sent to:

Loans Review Officer
Regional Investment Corporation
PO Box 653
Orange NSW 2800
Email: info@ric.gov.au

You can lodge only one request to review a decision. If you are not satisfied with the outcome of the review, you can lodge a complaint to the Commonwealth Ombudsman. You are responsible for any costs associated with a decision review or a complaint.

Complaints to the Commonwealth Ombudsman should be sent to:

Commonwealth Ombudsman
GPO Box 442
Canberra ACT 2601
Telephone: 1300 362 072 (calls from mobile phones are charged at mobile phone rates)
Online ombudsman.gov.au/making-a-complaint.

12 Loan conditions

12.1 Contracting arrangement

If your **loan application** is accepted, you will be required to enter into a **loan agreement** with us before we can give you any loan funds. The loan agreement will be for the term of the loan and sets out the full details of the individual loan terms and conditions.

If you do not sign your loan agreement within the time frame we give you, your loan offer may lapse. No contractual arrangement will exist until you sign a loan agreement with us.

By signing the loan agreement, you agree that you are subject to compliance requirements specified in the loan agreement.

If your **farm business's** circumstances change significantly during the term of the loan, you must let us know.

If your farm business's financial position changes significantly, or there are any breaches of the terms and conditions of the loan as specified in these guidelines and in the loan agreement, we may initiate recovery or remedial actions that we specified in the loan agreement.

12.2 Loan reviews

Every year we will conduct a loan review to monitor your compliance with the terms and conditions of the loan agreement as well as the ongoing capacity of your **farm business** to meet those terms and conditions. During the review we may consult with your commercial lender. We will also assess the farm business's capacity to refinance the remaining principal with a commercial lender when the loan term expires.

We will give you at least two months' notice of a loan review. You must give us evidence of expenditure of AgRebuild Loan funds when we ask you for it. Evidence of expenditure includes all tax invoices, **official receipts**, bank statements or other similar records of amounts paid.

When we assess whether a farm business has complied with the terms and conditions of the loan agreement in its expenditure and the activities it has undertaken, we will consider the expenditure and activities originally identified in the **application form**.

12.3 Reporting requirements

If your **application** has been accepted, you will be required to give us the information we ask for throughout the term of the loan. Your reporting requirements and the types of information you must give us are set out in the **loan agreement**.

13 Conflict of interest

We will take all reasonable measures to ensure that those involved in assessing and making decisions about applications do not have any conflicts of interest.

14 False or misleading information

If we find that any information you have given us in the **application form** is untrue, false or misleading, we may act to recover the loan. We may also apply penalties or refer the matter to the law enforcement authorities of the relevant Australian, state or territory governments.

Giving false or misleading information is a serious offence under the *Criminal Code Act 1995 (Cth)*.

15 Onus on the applicant

When you apply for an AgRebuild Loan, you are responsible for ensuring that:

- you have read and understood these guidelines and all the documents referred to in these guidelines
- all information in your **application** is true and correct to the best of your knowledge.

You are responsible for ensuring that you have read and understood all aspects of:

- the **loan agreement** and its terms and conditions
- any other documents that we provided.

You should seek advice from your legal and financial advisors before you apply for an AgRebuild Loan. This may be a condition of approval in some instances. If you have questions about business tax, you can contact the Australian Taxation Office call centre on 13 28 66.

16 Privacy

The RIC and the Australian Government may use your personal information to assess your **application** and administer AgRebuild Loans.

By completing and submitting the application, you consent to the RIC and the Australian Government collecting, using and disclosing your personal information to assess an application and administer AgRebuild Loans and for any other incidental or related purpose.

The RIC and the Australian Government may disclose your personal information to any party engaged in the assessment or evaluation of AgRebuild Loans. We may also disclose information where authorised or required by law or where the information is already in the public domain.

The RIC and the Australian Government will store personal information collected through the **application form**, supporting documents, the **loan agreement** and any monitoring and evaluation activities in compliance with the *Privacy Act 1988* (Cth).

Your personal information will not be disclosed overseas.

See our [privacy policy](#) and the Australian Government's privacy policy to learn more about accessing and correcting personal information or making a complaint. Alternatively, call us on 1800 875 675.

17 Disclaimer

Neither the RIC nor the Australian Government accept any common law duty of care towards **applicants** in relation to AgRebuild Loans or any information provided about the loans.

Also, the RIC and the Australian Government will not be liable for any loss or damage regardless of how it is caused. This includes:

- damage that results from the negligence of the RIC and the Australian Government

- damage that applicants suffer or incur in relation to AgRebuild Loans
- damage suffered as a result of any information the RIC and the Australian Government provide about the loans.

18 Evaluation

We may conduct evaluations to determine how AgRebuild Loans are contributing to Australian Government policy objectives. You may be requested to give us information to help us with those evaluations.

19 Review of the guidelines

We may review, revoke or vary these guidelines at any time. We will publish revised guidelines on our website.

Glossary

Term	Definition
adequate standard of living	<p>We will assess whether there is sufficient cash surplus from the operations of a farm business (and off-farm income if any) to provide adequate living expenses for those who are dependent on the farm business (including their relevant family members).</p> <p>We will determine adequate living expenses based on information that the applicant has provided. We will consider whether living expenses are reasonable given the particular circumstances of individual households with reference to the Household Expenditure Measure (as a guide), plus adjustments for other expenses as relevant, including housing costs (for example, rent).</p> <p>The Household Expenditure Measure is developed by the Melbourne Institute.</p>
applicant	The member/s of the farm business who lodged an application for an AgRebuild Loan.
application form	The application form and associated documentation that an applicant must complete and lodge with the Regional Investment Corporation (RIC) to apply for an AgRebuild Loan.
commercial debt	<p>Debt that has been established upon commercial interest rates, terms and conditions.</p> <p>Examples of debt that is not considered to be commercial debt include, but are not limited to:</p> <ul style="list-style-type: none"> • private debt or family debt not provided at arm’s length and at commercial interest rates and terms and conditions • non-balance-sheet loans • equipment finance facilities • funding of normal or additional working capital • debt that was not established upon commercial interest rates, terms and conditions (such as debt established at a concessional interest rate under Commonwealth and state or territory government schemes).
Commonwealth-funded concessional loans	<p>For the purpose of this program, Commonwealth-funded concessional loans include loans provided under the following schemes:</p> <ul style="list-style-type: none"> • Farm Finance Concessional Loans Scheme • Drought Concessional Loans Scheme • Drought Recovery Concessional Loans Scheme • Farm Business Concessional Loans Scheme, including: <ul style="list-style-type: none"> – Drought Assistance Concessional Loans – Dairy Recovery Concessional Loans – Business Improvement Concessional Loans.
external administration	In respect of a body corporate, an administrator has been appointed in accordance with the <i>Corporations Act 2001 (Cth)</i> .
extreme hardship	For the purposes of this loan a farm business will be experiencing extreme hardship if it has lost all, or the majority, of its stock or crops as a result of the North Queensland floods.
farm business	<p>A business that:</p> <ul style="list-style-type: none"> • operates as a sole trader, trust, partnership or private company • is involved within the agricultural, horticultural, pastoral, apicultural or aquacultural industries • undertakes all primary production aspects of the business wholly within Australia • is registered for tax purposes in Australia with an Australian Business Number (ABN) and is registered for Goods and Services Tax (GST) • is not a public company under the meaning of the <i>Corporations Act 2001 (Cth)</i>.
farmer	An individual who has a right or interest in land and uses the land wholly or mainly for the purposes of the farm business.

Term	Definition
	A right or interest in land can include share farming or lease arrangements. The RIC will consider eligibility of farm businesses conducted under these arrangements on a case-by-case basis.
government-funded concessional loans	For the purpose of these guidelines, government-funded concessional loans include: <ul style="list-style-type: none"> • Commonwealth-funded concessional loans (see definition in these guidelines) • State government-funded loans. State government funded farm business loans that can be refinanced with the RIC include: <ul style="list-style-type: none"> – New South Wales—Farm Innovation Fund – Victoria—Young Farmer’s Finance Scheme – Queensland—Productivity Loans (including Sustainability Loans and First Start Loans), White Spot Disease Concessional Loans – Tasmania—AgriGrowth Loan Scheme.
hardship	For the purposes of this loan a farm business will be experiencing hardship if it can show a significant financial impact as a direct consequence of the floods.
loan agreement	A loan agreement between the RIC and a loan recipient concerning an AgRebuild Loan.
member of the farm business	A person who has a right or interest in a farm business.
non-farm assets	The net value of any asset not essential to the effective running of the farm business, including land or property, residential (not used as the primary place of residence) or business, for the applicant or any member of the farm business (as applicable). Life insurance policies and superannuation, provided the superannuation is in a complying superannuation fund for the purposes of the <i>Superannuation Industry (Supervision) Act 1993</i> (Cth), are excluded.
North Queensland flood	The North and Far North Queensland Monsoon Trough from 25 January to 14 February 2019.
official receipt	A receipt including: <ul style="list-style-type: none"> • the name and address of the entity that issued the receipt • the entity’s ABN • a description of each item covered by the receipt.
permanent resident	A permanent resident, for the purpose of the RIC’s farm business loans, is considered to be: <ul style="list-style-type: none"> • a permanent resident as defined by the <i>Australian Citizenship Act 2007</i> (Cth), or • a New Zealand Citizen who holds a special category visa.
tax and statutory payments	Compulsory monetary contributions demanded by a government and levied on incomes, property, goods purchased, or other payments prescribed or authorised by legislation. Examples include: <ul style="list-style-type: none"> • federal taxes • state government taxes • government imposed fines and penalties • court ordered payments. <p>State government taxes</p> <p>Purchase of agricultural land may be considered an eligible loan purpose in certain circumstances. In such cases, loan funding may be applied to the payment of state government stamp duty (subject to the terms and conditions of individual loan agreements). For the purpose of farm investment loans, ‘state government payroll tax’ is excluded from the definition of tax and statutory payments. Loan funding may be applied to the payment of state government payroll tax as an operating expense (subject to the terms and conditions of individual loan agreements).</p> <p>Council rates</p> <p>For the purpose of the farm investments loans, ‘council rates’ are excluded from the definition of tax and statutory payments. Loan funding may be applied to the payment of</p>

Term**Definition**

council rates as an operating expense (subject to the terms and conditions of individual loan agreements).
