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... When Advice Matters ...



Agriculture & Personal Property Securities Register (PPSR)



What is the PPSR?

The PPSR is an online register of security held in personal property, not including land or buildings. The word 'personal' is somewhat misleading in my opinion however we cannot change that.

Why register a security interest?

If you do not register your security interest and a debtor goes into bankruptcy or is placed in liquidation, your position will be like that of an unsecured creditor. Secured creditors will be ahead of you when payments are made or assets distributed.

So what has PPSR got to do with Agriculture?

In the case of grain growers for example, they can register their interest in delivered grain through the PPSR to provide protection against grain buyer or bulk handler insolvency. To use the PPSR a grower must use a form of contract that creates a registrable security interest in the grain, such as by inclusion of retention of title clause.

Growers must register before the buyer takes possession of the grain. This creates a 'Purchase Money Security Interest' (PMSI). A PMSI is a type of security interest created by a person or entity who finances or provides the value to purchase the personal property. Examples of such a party would be a bank or in this case the grower providing the grain prior to full payment. The PMSI can give 'super-priority' over other security interests in the property.

Farmers should be aware that if they borrow money from a financial institution to finance livestock or crops the institution can register a PMSI in the farmer's personal property, giving them claim to this property if the farmer defaults.

One of our successful primary producer clients also recommends carefully choosing who you sell to and using a system that carries its own insurance. For example, the livestock agent's network incorporates the insurance cost into the 4.5% commission. For these reasons you may choose not to use the PPSR.

Fees

From 1 July 2015 fees will start from \$3.40 to do a PPSR search and \$6.80 to do a PPSR registration and will not be subject to GST. There is no charge to remove an entry from the PPSR.

For more information

Further information on the PPSR can be found at www.ppsr.gov.au (however beware you may find the website to be full of jargon), contacting Lba on the contacts below or by contacting your solicitor.

Please Note: These comments are only summaries of the issues for general information and should not be taken to be advice by Lockhart Business Advisors. Consequently, Lockhart Business Advisors accepts no responsibility to any person who acts on information herein without consultation with Lockhart Business Advisors.



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