

[Home](#) [View Westpac Consumer Mortgages OBP Credit Policies](#)[Contact Us](#)

03.16 Self-Employed Customers

This policy contains commercially sensitive and confidential information. No part should be made available in any form whether printed, electronic or otherwise, outside the Westpac Group without approval from Westpac Legal or Regulatory affairs.*** This document is an UNCONTROLLED copy and is subject to change without prior notification. It is only valid at the date of extract. ***

Table of Contents

[1. About this policy](#)

[1.1 Why this policy](#)

[2. Rules you must apply](#)

[2.1 Identifying self-employed customers](#)

[2.2 Unacceptable self-employed income](#)

[2.3 Self-employed entity has been verified as making a loss](#)

[2.4 Self-employed assessment methods](#)

[2.4.1 Fast Track](#)

[2.4.2 Latest year and 2 year average](#)

[2.4.3 Assessing tax returns and financials](#)

[2.4.4 Simple Solvency Check \(SSC\) assessment](#)

[2.4.5 Adjustments / Addbacks and Subtractions](#)

[2.4.6 Rental income – Latest year and 2 year average methods](#)

[2.5 Customer relationship to the entity](#)

[2.6 Exceptions to providing 2 years tax returns / financials](#)

1. About this policy

1.1 Why this policy

This section outlines the policies for assessing self-employed customers within a consumer mortgage application.

You may also need to refer to other lending policy rules, including but not limited to:

- [Verifying Income](#)
- [Eligibility](#)
- [Medico Sector](#)
- [Document Standards](#)
- [Loan Application and Approval](#)

If the loan application requires mortgage insurance, refer to [Lenders Mortgage Insurance](#) and *ALMI underwriting policy* where required.

2. Rules you must apply

- This policy must be used for all new loan applications and any existing loan being assessed for a loan variation (where a serviceability assessment is required).
- The One Bank Platform (OBP) system and or the Broker Serviceability Calculator are the only self-employed income assessment calculator's / serviceability assessment tools that can be used in conjunction with this policy (e.g. not available for loans assessed via GOE or *clas*)
- All supporting documents must be within age of documents policy and uploaded to ApplyOnline with Tax file numbers redacted from any document provided to the bank.

2.1 Identifying self-employed customers.

Where the customer is associated with an entity (i.e. has an ABN for an entity) and is **not** being assessed under Fast Track, Brokers / Assessors are required to verify how the customer is related to the entity, to identify if the customer meets the banks [definition](#) of self-employed.

To assist with identifying if a customer is self-employed, review the Credit Bureau report for any related directorships.

When the customer meets the banks definition of self-employed (below) and is **not** being assessed under [Fast Track](#), profitability of the entity must be confirmed, even where income from the entity is not being used in the serviceability assessment.

Definition of self-employed			
Entity type	Customer relationship to the entity	Verification documents required	
		Where assessed using:	Where assessed using:
		<ul style="list-style-type: none"> • Fast Track, or • Exceptions to providing 2 years tax returns / financials 	<ul style="list-style-type: none"> • Latest year, or • 2 year average
Sole Trader	Is the sole trader	An ABN search must be completed for all entities to confirm: <ul style="list-style-type: none"> • The entity type • The ABN status (e.g. active, cancelled) • How long the ABN has been registered. 	Same as Fast Track
Partnership	Must be a partner of the partnership		Same as Fast Track
Trust	Must be both a trustee and a beneficiary of the trust Note: Where the trustee and/or beneficiary is a company, refer below		<ul style="list-style-type: none"> • Same as Fast Track, And • Confirmation that the customer is a current trustee and beneficiary, via: <ul style="list-style-type: none"> • Trust deed, or • Trust tax return
Company	Must be both a current Director and Shareholder (with a minimum 5% shareholding) of the company		<ul style="list-style-type: none"> • Same as Fast Track, And • Company search to confirm • The customer is a current director and has been a director for the last 2 years

			<ul style="list-style-type: none"> • Is a current shareholder • The percentage of shares held currently and for the past 2 years • That the shareholding and/or directorship have not been backdated
--	--	--	---

Where a **borrower** does not meet the above definition of self-employed, they can be treated as self-employed in the following specific scenarios:

Unless specifically stated, the below scenarios are not an exception to policy and do not require an override.

Scenario	Requirements
Borrower receives PAYG income from an entity that is wholly or partially owned by their spouse	<ul style="list-style-type: none"> • The borrowers spouse must fit the banks definition of self-employed and be a: • Co-borrower or • Income guarantor or • Assessed under Apportioned Household Expenses and Commitments, on the new loan <p>Where the above is met, the non self-employed borrower may be assessed as:</p> <ul style="list-style-type: none"> • A PAYG customer as per Verifying income > Rules > Family employee, or • Self-employed using the same assessment method as the borrower's spouse
Self-employed entity is a company, one borrower is a shareholder but not a director or The borrowers individually do not hold the minimum shareholding percentage	<p>The borrowers on a combined basis must fit the banks definition of self-employed for the specific entity (e.g. combined they must hold >=50% of shares and have at least 1 director included as a borrower).</p> <p>When the above is met - both co-borrowers can be assessed using the same self-employed assessment method</p>
Self-employed entity is a trust, one borrower is a beneficiary but not a trustee	<p>The borrowers' spouse must fit the banks definition of self-employed (for the specific entity) and be a co-borrower on the new loan.</p> <p>When the above is met, both co-borrowers can be assessed using the same self-employed assessment method.</p>
Note: Any non self-employed income is to be verified as per policy contained in Verifying Income	

2.2 Unacceptable self-employed income

- Unsustainable Income (i.e. derived from a once off event), refer to [Adjustments / Addbacks and Subtractions](#)

- Income from an entity that has a strike off action recorded, is under administration or has a liquidator appointed, however if the entity is operating at a loss, it must be included in the serviceability assessment.
- Company or trust distributions from an unrelated entity, i.e., the customers relationship to the [entity](#) does not meet the bank's [definition of self-employed](#).
- Foreign self-employed income
- Trust or partnership distributions that have been redistributed, including to non-adult beneficiaries
- Positive income from a self-employed entity that has **not** been established and trading for two full financial years (Positive income is any income that is not a loss / negative adjustment).
- Positive net adjustments / undistributed net profit where the directorship or shareholding of a company has been back dated* recently or overlaps the financial years being assessed.

***Note:** Back dated is where the directorship and/or shareholding has changed, but back dated to an earlier point in time (e.g. shareholding percentage changed 01/01/2020 and was backdated to be effective 25/12/2018)

2.3 Self-employed entity has been verified as making a loss

Where the customer meets the [definition of self-employed](#):

- The loss must be reflected in the serviceability assessment.
- Customers must explain how any ongoing entity commitments will be met. Broker notes must capture outcomes of the discussion with the customer.
- If the entity is verified as making a loss, the 2 year [assessment](#) method must be used.
- Where a customers' shareholding in a company has reduced (e.g. 80% to 20%) across the two financial years assessed and the company is trading at a loss, then the loss must be apportioned to the borrower based on the actual shareholding percentage in each separate financial year (the shareholding of the prior year cannot be reduced).

2.4 Self-employed assessment methods

Where there are multiple self-employed customers / entities and the customers receive income from the same self-employed entity, or from self-employed entities that are inter-linked (i.e. income moves from one self-employed entity to another), **the income must be assessed using the same assessment method.**

It is however acceptable to use a different income assessment method when the entities are completely independent of each other and there is no common flow / source of income.

Where an LMI premium is being waived or funded by the bank (e.g. during a marketing campaign), self-employed income verification is required to be assessed to mortgage insurance standards. This excludes medical professional customers who meet [Medico Sector Lending Policy](#).

2.4.1 Fast Track

Mandatory verification documents	<ul style="list-style-type: none"> • Document(s) as detailed in Definition of self-employed • Last 2 years personal Australian Taxation Office (ATO) Notice of Assessments (NOA's). All pages of the NOA's must be held
Eligibility	<ul style="list-style-type: none"> • ABN search must confirm all self-employed entities have been established and trading for at least the two full financial years, including the period covered by the ATO NOA's provided, and the customers declared period of self-employment. • Only the self-employed customer can be assessed using this method. • Fast Track cannot be used when the borrower on the new loan is an entity • The new loan being assessed must not be mortgage insured. • Foreign income must not be received by the customer (this includes when the ATO NOA's show a foreign tax credit or

	<p>where additional documents show foreign income)</p> <ul style="list-style-type: none"> • Fast Track is not available for an Independent contractor • Income used in the serviceability assessment must be the taxable income from the ATO NOA's only • Positive net adjustment / undistributed net profit from the self-employed entity cannot be used in addition to Fast Track, and a self-employed entity (e.g. company or trust) must not be included separately in the serviceability assessment • Any capital gains income on the ATO NOA must be deducted from the taxable income used in the serviceability assessment
Additional criteria	<ul style="list-style-type: none"> • If the self-employed customer also has a second completely independent PAYG job, the PAYG income must be verified from the ATO NOA's only. If the PAYG employment commenced after the period covered by the ATO NOAs, and the income is required to be included, then Fast Track is not available and the latest year or 2 year average policy must be used. • Franking credits - no adjustment of the taxable income is required i.e. a franking credit must not be added to or subtracted from the Taxable income figure. • Company, trust or partnership commitment verification is not required.
Rental Income requirements	<p>If the customer has an investment property(s) that earned rental income during the period covered by the ATO NOA's (either part of, or the entire period) and will continue to receive rental income (e.g. it is still rented / has not been sold):</p> <ul style="list-style-type: none"> • Rental income must not be verified or entered separately as the rental income is already included within the ATO NOA's taxable income. • As the expenses are already captured in the ATO NOA taxable income figure, \$0 investment property expense(s) can be used for the investment property, but the following or similar comment must be entered for the \$0 expense explanation: <i>"\$0 investment property expenses captured as Fast Track assessed and the rental property was owned during ATO NOAs period (or part thereof)."</i> • Rental income tax deductions / negative gearing cannot be used. <p>If the customer has an investment property(s) that only started receiving rental income after the period covered by the ATO NOA's:</p> <ul style="list-style-type: none"> • Investment property expenses and rental income must be verified and loaded in ApplyOnline in line with Verifying income policy, refer Verifying Income > rules you must apply > Supplementary Income, Serviceability Assessment > Rules you must apply > Rental income tax deductions for Australian investment properties (Negative Gearing) and Living Expenses > Living expenses not compared to HEM • Negative Gearing / Tax deductibility can be considered / included
Additional verification documents are provided or held (e.g. provided with the loan application or	<ul style="list-style-type: none"> • When the self-employed entity is a sole trader and personal income tax return(s) (ITR) with either year within age of document requirements are held, Fast Track is not permitted.

imported from a previous application)	<ul style="list-style-type: none"> Any income identified in the ITR as non-recurring or unacceptable (i.e. capital gain, PAYG from employment no longer held, rental income from a property sold, foreign income) must be subtracted from the ATO NOA taxable income figure. When financials (profit loss and balance sheets) or entity ITR are held, the Simple Solvency Check (SSC) option may be available
Relationship managed or business bank connections	<p>In addition to all of the above requirements, must also meet the following:</p> <ul style="list-style-type: none"> The new loan application must be standalone (not a mixed lending application) and assessed via OBP only The security cannot be cross collateralised with any business lending No business lending covenants exist within the connection

2.4.2 Latest year and 2 year average

Mandatory verification documents required	<ul style="list-style-type: none"> Documents detailed in Definition of self-employed Latest year personal ATO NOA: Must include the front page showing the customer name and taxable income Must match the same taxable income as the latest personal income tax return (ITR) If ATO NOA has not issued, then the latest Australian Tax Return lodgement extract from MyGov Portal is acceptable where meets above requirements Last 2 years personal ITRs Last 2 years ITRs for all self-employed entities Latest year financial statements (profit loss and balance sheets)* showing the last 2 years financial data. Where the financials only show 1 year of financial data, then 2 years financials are required. <p>*Mandatory only if the self-employed entity is a company, trust or a partnership that completes financials (i.e. a corporate partnership)</p> <p>Note: All ITRs, financials and ATO NOA must match the same financial years.</p>
Eligibility	<ul style="list-style-type: none"> ABN search must confirm all self-employed entities have been established and trading for at least the two full financial years, including the period covered by the ATO NOA's provided, and the customers declared period of self-employment. Customer must meet the customer relationship to the entity requirements
Latest year additional criteria	<p>When the latest year income is:</p> <ul style="list-style-type: none"> Lower than the prior year, the latest year must be used in the serviceability assessment. Higher than the prior year, the latest year can be used in the serviceability assessment, when the self-employed entity passes the following 'volatility test': The Net Profit Before Tax (NPBT) of the entity, in the latest year, must not have increased by more than 60% compared to the prior year

NPBT.

Where the above 'volatility test' has passed, only the latest year needs to be fully verified.

Where the above 'volatility test', has failed, **fully assess** both the latest and the prior financial year

- If the Adjusted Net Profit After Tax (ANPAT) figure in the latest year has **not** increased by more than 60% compared to the prior year ANPAT, the Latest year income may be used.
- When the latest year ANPAT is More than 60% above the prior year ANPAT, then:
- Assess the income using the 2 year average assessment method, or
- Refer the loan application to Credit with supporting comments explaining the change in entity profitability and how this is considered sustainable.

In all instances:

- Positive net adjustments / undistributed profits can be used where the customer meets the customer relationship to the [entity](#) requirements.

The following are not eligible to be assessed using Latest year income assessment:

- Applications assessed using the [Fast Track assessment](#) method
- When the income assessment reflects the entity is running at a loss in the latest year.
- When the entity has been trading for less than 2 full financial years

2.4.3 Assessing tax returns and financials

When assessing tax returns / financials it is important to use the correct figures, below details the figures to be used for each self-employed entity and income type.

Financials (profit loss and balance sheets), when required to be provided, are to be used:

- As supporting information to understand the entity, including the income type, add backs, subtractions, liabilities, profitability, the flow of income between individuals and other entities.
- For the [Simple Solvency Check \(SSC\)](#) where available

When the entity type has changed during the financial years being assessed, but the nature of the entity has not changed, the income is to be assessed in line with the new entity (e.g. the entity was a sole trader in the prior year but is a company in the latest year, then assess both years as a company)

Income Scenario / Entity type	Individual tax return assessment
Sole trader Note: includes independent contractors, receivers of personal services income (PSI) income type in ITR	<ul style="list-style-type: none"> • Start with the Business and Professional Items section and use the "NET income or loss from business" figure (typically item P8 in the personal ITR). This figure is prior to any add backs, subtractions, or adjustments. <p>Note: If the individual received Personal Services Income (PSI) it will be reflected in the Business and Professional Items section at P1. The "Net PSI" income figure can be added to the "Net income or loss from business" figure.</p> <ul style="list-style-type: none"> • All entity related Commitments and Living expenses must be included in ApplyOnline for serviceability assessment and verified, where required under policy

Entity type	Individual tax return assessment	Entity tax return assessment
Partnership	<ul style="list-style-type: none"> When assessing PAYG (salary or wages) from own self-employed entity, use the historic PAYG income received from that entity (in each separate financial year the income was received). Typically located at item 1 in the individual ITR. Use the partnership distribution from item P13 When the partnership received a franking credit and has passed a franking credit tax offset to the customer this can be loaded in the Broker Serviceability Calculator. 	<ul style="list-style-type: none"> Start with the "Net Australian income – other than capital gains" figure (typically item 20 in the ITR). This figure is prior to add backs, subtractions or adjustments and after reconciliations <p>Note: If the partnership includes foreign income and an exception has been requested to consider this income, then use the "Total of items 20 – 23" figure (typically item 24 in the tax return). This figure is the total income figure after the "Net Australian income – other than capital gains" figure.</p> <ul style="list-style-type: none"> Existing rental income is not to be entered separately as it is already included in the net income. Where rental income is included in the serviceability assessment refer Rental income – Latest year and 2 year average methods. Partnership Commitments must be included in the self-employed income assessment / Broker Serviceability Calculator and verified where required under policy.
Trust	<ul style="list-style-type: none"> When assessing PAYG (salary or wages) from own self-employed entity, use the historic PAYG income received from own self-employed entity (in each separate financial year the income was received). Typically located at item 1 the individual personal tax return. When the trust received a franking credit and has passed a franking credit tax offset to the customer this can be loaded in the Broker Serviceability Calculator. The trust distribution is reflected in the trust distribution worksheet. 	<ul style="list-style-type: none"> Start with the "Total net income or loss" figure (typically item 26 in the tax return). This figure is prior to any add backs, subtractions or adjustments and after reconciliations Existing rental income is not to be entered separately as is already included in the net income. Where rental income is included in the serviceability assessment refer Rental income – Latest year and 2 year average methods. Trust Commitments must be included in the self-employed income assessment / Broker Serviceability Calculator and verified where required under policy.
Company	<ul style="list-style-type: none"> When assessing PAYG (salary or wages) and / or director fees from own company, use the historic PAYG and / or director fee income received from own company (in 	<ul style="list-style-type: none"> Start with the "Taxable / net income or loss" figure, after any reconciliations (typically item at 7 in the tax return). This figure is prior to

	<p>each separate financial year the income was received). Typically located at item 1 the individual personal tax return.</p> <ul style="list-style-type: none"> • If the company has paid a dividend load the actual dividend received in the Broker Serviceability Calculator • If the company has paid a Franking Credit, load the actual Franking Credit received in the Broker Serviceability Calculator 	<p>add backs, subtractions or adjustments and after reconciliations</p> <ul style="list-style-type: none"> • Percentage of ownership / shareholding of the Company must be loaded in the Broker Serviceability Calculator • Existing rental income is not to be entered separately as is already included in the net income. • Where rental income is included in the serviceability assessment refer Rental income – Latest year and 2 year average methods. • Company Commitments must be included in the self-employed income assessment / Broker Serviceability Calculator and verified where required under policy. • If using the actual dividend received (not including any positive net adjustments / undistributed profit) • Shareholding in the company may be less than 50%. Refer to the definition of self-employed • If including any positive net adjustments / undistributed profit • Shareholding in the company must not be less than 50%. Refer Customer relationship to the entity. • The default tax rate used in the serviceability assessment is 30%. When the entity has made a profit and is required to pay tax, the tax rate (used in the income assessment of the entity) can be reduced to the actual historic tax rate paid: • load the total tax payable from item T5 into the Broker Serviceability Calculator (Assessing the reduced tax rate is optional).
--	---	---

2.4.4 Simple Solvency Check (SSC) assessment

The SSC is a method for confirming if an entity is solvent / profitable. The SSC can only be used in the following two scenarios:

- Under [Fast Track](#) when additional self-employed verification documents other than the ATO NOA's are held or
- Under "[Exceptions to providing 2 years tax returns / financials](#)" when the entity ABN is active, but the loan application is reliant on income from a different self-employed entity only.

The self-employed entity SSC test:

- Net profit before tax (NPBT) must be greater than \$0 in both financial years (where two years financials or ITR's are held), and
- Current assets must be greater than current liabilities, in the latest financial year only.

When using the Fast Track assessment method

- SSC is only to be used when entity financials and or / ITR's are held and contain the current assets, liabilities as well as the net profit.
- SSC must be performed on all financials / ITR's that are within age of document requirements, or
- On both years of any financials that show 2 years financial data, when 1 year is within age of document requirements.

When using the Latest year or 2 year assessment method:

In all cases SSC cannot be used when a positive net adjustment / undistributed profit from that entity is included with the serviceability assessment

In all cases the SSC is available

- Exceptions to the SSC are not permitted – i.e. where documents are held and SSC does not pass it is not acceptable to obtain a customer declaration or accountant letter
- SSC can be performed on interim financials providing no income from the entity is used in the serviceability assessment (including PAYG, dividends, franking credits, directors' fees, distributions, undistributed profit etcetera)
- SSC can be performed when the entity has been operating for less than 2 full financial years providing no income from the entity is used in the serviceability assessment

2.4.5 Adjustments / Addbacks and Subtractions

Subtractions

All income that will not be ongoing must be subtracted whenever evident on any of the income verification documents or identified through discussions with the customer. This expectation applies to all self-employed assessment methods.

Non-recurring income includes but is not limited to	
• Capital gains	• Profit on sale of an asset
• Interest	• Fringe Benefit Tax (FBT) employee contributions
• Grants or boost payments	• Any other form of non-ongoing income
• Rent from an investment property that has been sold / no longer receiving rent.	

Addbacks

Addbacks are expenses of the entity that can be added back when completing a full verification assessment on the entity. Including addbacks with the income assessment is optional.

Addbacks:

- Must be evident in the entities tax returns and financials if utilising the add back.
- Must be added-back pre-tax (all addbacks)
- Cannot be used with the [Fast Track](#) self-employed assessment method
- Can be used with the [latest year or the 2 year average methods](#)

Addback	Expense type:	Additional Requirements
	Depreciation	No additional requirements

Amortisation	
Instant asset write off	
Historic Interest	
Historic Lease / Hire purchase	
Loss on sale of an asset	
Prior year loss brought forward in the ITR	
Other	Comments must be entered into ApplyOnline to explain: <ul style="list-style-type: none"> • What the expense is and • How the expense has been confirmed as a one off
Excess superannuation	Only the portion above the super guarantee (SG), that the entity has paid on behalf of the customer, can be added back. Refer to the Australian Taxation Office Super Guarantee for the SG percentage.

2.4.6 Rental income – Latest year and 2 year average methods

Rental income, expenses and any interest or tax deductibility must align to the owner of the property, to ensure serviceability is correctly calculated. When assessing the investment property income and expenses the investment property assessment table (below) must be followed.

Investment property assessment	
Scenario	Requirements
1. Investment property is being purchased in this transaction (by an individual or by an entity)	<ul style="list-style-type: none"> • Rental income to be verified as per Verifying income > <i>Rules you must apply</i> > <i>Supplementary Income</i> • Rental income and related investment property expenses must be loaded in ApplyOnline with the real estate collateral. Refer to Living Expense policy > <i>Rules you must apply</i> > expense category table. <p>When the borrower is an individual enter any rental income tax deduction / negative gearing via ApplyOnline, Refer to Serviceability Assessment > rules you must apply > Rental income tax deductions for Australian investment properties (Negative Gearing).</p>

	<p>Where the borrower/purchaser is an entity, rental income tax deduction / negative gearing is not available</p>
2. Investment property is already owned by an individual	<ul style="list-style-type: none"> Rental income is to be verified and assessed as per scenario 1.
<p>Note: For all the following scenarios (3-7):</p> <ul style="list-style-type: none"> The Net rental feature must be used (located within the Broker Serviceability Calculator) and Rental income tax deduction / negative gearing is not available. If the property is owned by an individual but accounted for in the partnership or trust returns, scenarios 3-7 must be applied. 	
3. Investment property owned by an entity, currently rented, and rented for the entire period covered by the ITRs, used for serviceability assessment.	<p>From the entity tax return rental schedule capture the:</p> <ul style="list-style-type: none"> Gross rent for the investment property and Number of weeks the property was rented <p>Note: Investment property expenses do not need to be captured as are already included in the tax return net profit and property expense floor rate will not apply.</p> <ul style="list-style-type: none"> Interest, depreciation (including capital allowance) and any once off expenses can be added back (do not use the net rental feature for addbacks) where policy allows the addback type, refer Adjustments / Addbacks and Subtractions
<p>4. Property owned by an entity, currently rented but rented for only part of the period covered by the ITRs, used for serviceability assessment.</p> <p>Rental income is not received on a short term basis (e.g. the property is not holiday or student accommodation)</p>	<p>From the entity tax return rental schedule capture the:</p> <ul style="list-style-type: none"> Gross rent for the investment property and Number of weeks the property was rented <p>The net rental feature will calculate a rental adjustment figure that must be loaded with the self-employed income and included in the serviceability assessment.</p> <p>Note: Investment property expenses do not need to be captured as are already included in the tax return net profit and property expense floor rate will not apply.</p> <ul style="list-style-type: none"> Interest, depreciation (including capital allowance) and any once off expenses can be added back (do not use the net rental feature for addbacks) where policy allows the addback type, refer Adjustments / Addbacks and Subtractions
5. Property owned by an entity and currently rented but not rented in the period covered by the ITRs , used in the	<ul style="list-style-type: none"> Rental income is to be verified as per Verifying income > <i>Rules you must apply</i> > <i>Supplementary Income</i>

<p>assessment.</p> <p>Rental income is not received on a short term basis (e.g. the not holiday or student accommodation)</p>	<ul style="list-style-type: none"> Related expenses to be confirmed. Refer to Living Expense policy > Rules you must apply > expense category table. <p>The net rental feature will calculate a rental adjustment figure that must be loaded with the self-employed income (in the latest financial year only) as a taxed add back</p> <ul style="list-style-type: none"> Interest, depreciation (including capital allowance) and any once off expenses can be added back (do not use the net rental feature for addbacks) where policy allows the addback type, refer Adjustments / Addbacks and Subtractions
<p>6. Property is rented on a short term basis and owned by an entity, currently rented / available for rent on a short term basis, but rented for only part of the period covered by the ITRs, used in the assessment.</p>	<p>From the entity tax return rental schedule capture the:</p> <ul style="list-style-type: none"> Gross rent for the investment property and Number of weeks the property was rented <p>The net rental feature will calculate a rental adjustment figure that must be loaded with the self-employed income and included in the serviceability assessment.</p> <p>Note: Investment property expenses do not need to be captured as are already included in the tax return net profit, plus an additional 10% shading.</p> <ul style="list-style-type: none"> Interest, depreciation (including capital allowance) and any once off expenses can be added back (do not use the net rental feature for addbacks) where policy allows the addback type, refer Adjustments / Addbacks and Subtractions
<p>7. Property is rented on a short term basis and owned by an entity, is currently rented / available for rent on a short term basis, but not rented in the period covered by the ITRs, used in the assessment.</p>	<ul style="list-style-type: none"> Rental income cannot be used in the serviceability assessment The Net rental feature must be used (located within the Self-Employed Income Calculator) Capture the customer declared investment property expenses <p>The net rental feature will calculate a rental adjustment figure that must be loaded with the self-employed income and included in the serviceability assessment.</p>

2.5 Customer relationship to the entity

When using any surplus positive net adjustment / undistributed profit from an entity the following rules apply.

Note: in all company relationships the Directorship / shareholding must not be back dated, Refer

[Unacceptable self-employed income.](#)

Individual entity	
Entity 1	Customer relationship to entity 1
Sole trader	Is the sole trader
Partnership	Must be a partner
Trust	Must be both a trustee and a beneficiary of the trust
Company	Must be both a current company director and hold a minimum 50% shareholding.

Multiple entities			
Entity 1	Entity 2 relationship to entity 1	Customer relationship to entity 1	Customer relationship to entity 2
Partnership	Company is a partner	N/A	Must be both a current company director and minimum 50% shareholder
Trust	Company is the trustee and a beneficiary		
Trust	Company is the beneficiary but not the trustee	Must be a trustee of entity 1	
Company	Company is a shareholder holding a minimum 50% shares	Must be a current company director of entity 1	
Company	Trust is the shareholder holding a minimum 50% shares		Must be both a trustee and a beneficiary of the trust

2.6 Exceptions to providing 2 years tax returns / financials

Completing the ABN search is required in all instances and may be completed via [ABN look-up](#).

A Company search may be completed via [IQ Connect](#).

Unless specifically stated, the below scenarios are not an exception to policy and do not require an override.

	Scenario	Requirements
1	ABN search confirms the entity is:	Acceptable without further verification or referral to Credit where the:

	<ul style="list-style-type: none"> Cancelled, deregistered or inactive, and ITRs / financials from the entity are not held. 	<ul style="list-style-type: none"> Credit bureau report does not show any bankruptcy (discharged or current), and When the entity is a company, the company search shows no strike off action, under administration or liquidation / liquidator appointed.
2	<p>ABN search confirms the entity is:</p> <ul style="list-style-type: none"> Active, but no longer operating and ITRs / financials from the entity are not held. 	<p>The application may progress without seeking entity financials where:</p> <p>Option 1</p> <ul style="list-style-type: none"> The customer has confirmed the entity is not operating in any capacity and has no turnover, expenses, or liabilities and The credit bureau report, liability and transaction account statements held have been reviewed and confirm there are no indications that the entity has any turnover, expenses, liabilities, or entity-related enquiries (Refer Loan Application and Approval > Reviewing customer provided information) and When the entity is a company, the company search does not show strike off action, under administration or liquidation / liquidator appointed. <p>Note: option 1 is not available if returns or financials are held or when the loan is not assessed, and documents issued from OBP (e.g. not available for loans assessed via GOE or <i>clas</i>)</p> <p>Option 2</p> <p>An accountants letter / email advice has been provided (refer accountants letter / email advice below)</p> <p>Where the above option 1 or 2 criteria are not met in full then:</p> <ul style="list-style-type: none"> Collect ITRs, financials and fully verify the entity (using the Broker Serviceability Calculator) to confirm if it is trading at a profit or a loss. If the entity is trading at a loss the self-employed entity cannot be excluded from the serviceability assessment, refer Self-employed entity has been verified as making a loss
3	<p>ABN search confirms the entity is:</p> <ul style="list-style-type: none"> Active and operating but the loan application is reliant on independent PAYG only, i.e. no self-employed income is being used in the assessment, and ITRs / financials from the entity are not held. <p>Refer definition for Income</p>	<p>The application may progress without seeking entity financials where:</p> <p>Option 1</p> <ul style="list-style-type: none"> The customer has declared the entity is operating profitably and is not receiving any income from the individual to support the entity. The credit bureau report, liability and transaction account statements held have been reviewed and confirm there is no adverse conduct (e.g. dishonours, defaults) and no indications that the individual is providing money to the entity, Refer Loan Application and Approval > Reviewing customer provided information.

	types considered self-employed	<ul style="list-style-type: none"> When the entity is a company, the company search does not show strike off action, under administration or liquidation / liquidator appointed. The application passes credit score. <p>Note: option 1 is not available if returns or financials are held or when the loan is not assessed, and documents issued from OBP (e.g. not available for loans assessed via GOE or <i>clas</i>)</p> <p>Option 2 An accountants letter / email advice has been provided (refer accountants letter / email advice below)</p> <p>Where the above option 1 or 2 are not met in full then:</p> <ul style="list-style-type: none"> Collect ITRs, financials and fully assess the entity (using the Broker Serviceability Calculator) to confirm if it is trading at a profit or a loss. If the entity is trading at a loss the self-employed entity cannot be excluded from the serviceability assessment, refer Self-employed entity has been verified as making a loss
4	The entity ABN is active, but the loan application is reliant on income from a different self-employed entity only	<p>Option 1</p> <ul style="list-style-type: none"> Collect financials and ITRs from the entity Use the Simple Solvency Check (SSC) if available or Fully assess the entity (using the Broker Serviceability Calculator) to confirm if it is trading at a profit or a loss. If the entity is trading at a loss or if there are inter-entity flows, the entity cannot be excluded from the serviceability assessment and the Simple Solvency Check method cannot be used. <p>Note: When the entity has been operating for less than 2 years collect ITRs / financials for the period the entity has been operating.</p> <p>Option 2 Obtain an accountants letter / email advice (refer accountants letter / email advice below). An accountants letter / email advice cannot be used where returns or financials are held for the entity.</p>
5	Directorship and shareholding relates to Company Title security For definition of a Company title, refer to Glossary	<p>May be accepted by the assessor only where the:</p> <ul style="list-style-type: none"> Company search confirms sub-class 'Home unit proprietary company': Include commentary in ApplyOnline assessment notes; and Upload the Company search to ApplyOnline.
6	Partners from selected companies	<p>Where the customer is a partner from:</p> <p>Allens, Binder Dijker Otte – BDO , Clayton Utz, Corrs Chambers Westgarth, Deloitte, Ernst & Young, Gadens, Gilbert & Tobin, Grant Thornton, Herbert Smith Freehills, HWL Ebsworth Lawyers, King & Wood Mallesons, KPMG,</p>

		<p>McGrath Nicol, Minter Ellison, Norton Rose Fulbright, Pitcher Partners , PKF, PWC, RSM Australia, William Buck</p> <p>Refer to Verifying Income > Rules > Verifying Self-employed income > Partners from selected companies (AUD).</p>
7	Medico Sector Lending policy	<p>Self-employed Medical professionals who meet the eligibility criteria for assessment under Medico Sector Lending policy:</p> <ul style="list-style-type: none"> • Are permitted to provide a single year of tax returns. • Must comply with eligibility and Income verification requirements within Special Packages - Medico Sector policy • Evidence of Australian Business Number registration search must show at least 2 full financial years ABN registration. <p>Where an application is assessed using Medico sector Lending policy and both customers are self-employed:</p> <ul style="list-style-type: none"> • Only the eligible qualifying medical professional can be assessed using a single year of financials and tax returns. • The non-qualifying medical professionals must adhere to the standard self-employed policy.
8	<p>Self-employed entity has been trading for greater than 1 year but less than 2 years, and income from the self-employed entity is to be used towards serviceability</p> <p>Refer definition for Income types considered self-employed</p>	<p>This is an exception to policy</p> <p>If seeking consideration:</p> <ul style="list-style-type: none"> • Obtain tax returns / financials for the period the entity has been trading. • Ensure the customer can demonstrate a solid history of experience and expertise in the same industry of the self-employment, prior to the commencement of self-employment. • Refer the application to Credit: <ul style="list-style-type: none"> ◦ Credit may request additional information to assist with the assessment (e.g. accountant prepared interim financials.) ◦ If the application is approved an override code must be loaded

Accountants letter / email advice

Only scenarios 2, 3 and 4 allow an accountants letter / email advice as an option. When using an accountants letter / email advice the broker / assessor must:

- Verify the Accountant's or Accounting firm's tax agent / BAS agent registration status is current, using https://www.tpb.gov.au/registrations_search and upload the search result to ApplyOnline **and**
- Validate that the letter has addressed **all** the below requirements. If the letter does not address **all** the below criteria or when tax returns / financials for the entity are held, the letter is unacceptable and cannot be used.

The accountants letter / email advice must adhere to the [document standards](#), plus in addition must confirm:

- That the Accountant has completed the latest year's tax returns and / or associated financial statements for the specific entity, **or**

- Where the entity has only recently commenced (within the current financial year) the accountant must confirm:
- The date the entity commenced, **and**
- How long they have been acting as accountant for the applicant, **and**
- That they have completed the BAS since the entity commenced (where BAS was required to be lodged).
- Confirm that the entity:
- Is not operating in any capacity (including when the entity ceased operating or that the entity never commenced operating) and has no current or deferred commitments **or**
- Is trading profitably; **and**
- Has sufficient current earnings from recurring income to meet their ongoing debts (i.e. after all expenses including but not limited to the principal component of any debts, wages, superannuation and taxation obligations without drawing on any retained prior year profits, capital gain, sale of business assets or reliance on any once off grant, boost payment e.g., COVID etc); **and**
- There is no reliance on any income from the customers (borrower, guarantor, or Apportioned shared commitment) by the entity including no loans from customer to the entity

Change History

Amendment number	Amendment issue date	Description of changes
1	3 November 2021	First OBP issue online for Brokers on the OKA platform.
2	11 November 2021	Links updated
3	14 December 2021	<ul style="list-style-type: none"> • Changes made due to 'SAI Global' name change to 'Dye and Durham' (as advised by Line of Business): <ul style="list-style-type: none"> ◦ Replaced text references to 'SAI Global' with 'Dye and Durham' ◦ Removed the 'SAI Global' logo from the 'Company Title' screenshot example. Provider name is not relevant to the purpose of the attachment and removing it will 'future proof' for provider changes or provider business name changes
4	20 February 2022	<p>Change 1 Policy rewrite and Westpac Group alignment</p> <p>Change 2 <i>Updated the table 2.1.1 "Applications by income source" with the following content</i></p> <ul style="list-style-type: none"> • When assessing PAYG (salary or wages) and/or director fees from own company, use the historic PAYG and/or director fee income received from own company (in each separate financial year the income was received). This will typically be located at item 1 the individual personal tax return. <p>Change 3 <i>Corrected the hyperlink in 2.1.3 "Exceptions to providing 2 years tax returns / financials" Removed the hyperlink to "Verifying ABN is not active and replaced with a link to "Completing ABN, business name or company searches. Also added the following content to 4. Completing ABN, business name or company searches</i></p>

Amendment number	Amendment issue date	Description of changes
		<p>An ABN search can confirm if the ABN is active, how long the ABN has been active and the GST registration status. Complete an ABN search using ABN Look-up via www.abr.business.gov.au.</p> <ul style="list-style-type: none"> Where the search result shows the ABN is 'cancelled' or 'in-active': <ul style="list-style-type: none"> Include a comment in <i>OBP</i> and; Upload the ABN search to OBP <p>If the applicant discloses the entity has commitments or if it is evident via the Bank's systems, the commitments must be included in the serviceability assessment. See example of non- trading entity verified by ABN search</p> <p>Change 4</p> <p>Updated the addbacks section to clarify that depreciation / Amortisation is not an acceptable add back for a Trust entity.</p>
5	3 April 2022	<p>Policy correction</p> <p>Correction to the "what do I need to do" column of the depreciation add back table:</p> <p>Old wording</p> <p>(depreciation addback percentage cannot exceed the personal use percentage)</p> <p>New wording</p> <p>(depreciation addback percentage cannot exceed the business use percentage)</p>
6	22 May 2022	<p>Section 'Rules> Assessing self-employed applications> Age of documents' changed from 'Refer to: Loan Application and Approval > Full application date'</p> <p>changed to 'Refer to: Loan Application and Approval > Responsible Lending Start Date'.</p> <p>Included a link to the ' Loan application and approval ' chapter which has been updated to define the 'Responsible Lending Start Date'</p>
7	21 August 2022	<p>Deleted references to the 'Minimum Document Standards Matrix'. The matrix has been superseded, with all matrix rules transferred into the main body of the 'Document Standards' chapter. Existing references have been updated to point to the 'Document Standards' chapter</p>
8	2 October 2022	<p>Change 1</p> <p>Update to content in section 2.2.2 Rental income – fully verified self-employed – 2 year average > Investment property assessment (table)</p> <p>Scenario 1 - Investment property is being purchased in this transaction (by an individual or by an entity *)</p> <p>Old</p> <p>Related expenses to be loaded in AOL with the real estate collateral. Refer to Living Expense policy > Rules you must apply > expense category table. Enter any rental income tax deduction / negative gearing via AOL. Refer to Serviceability Assessment > rules you must apply > Rental income tax deductions for Australian investment properties (Negative Gearing)</p> <p>New</p> <p>When the borrower is an individual:</p> <p>Enter any rental income tax deduction / negative gearing via AOL. Refer to</p>

Amendment number	Amendment issue date	Description of changes		
		<p>Serviceability Assessment > rules you must apply > Rental income tax deductions for Australian investment properties (Negative Gearing)</p> <p>When the borrower is an entity:</p> <p>Rental income tax deduction / negative gearing is not available</p> <p>Change 2</p> <p>Update to content in section 2.2.2 Rental income – fully verified self-employed – 2 year average > Investment property assessment (table)</p> <p>Scenario 4. Investment property owned by an entity [*], currently rented but rented for only part of the period covered by the tax returns, used for serviceability assessment.</p> <p>Change of name to scenario 4, new name</p> <p>4. Investment property owned by an entity [*], currently rented but rented for only part of the period covered by the tax returns, used for serviceability assessment.</p> <p>Rental income is <u>not</u> received on a short term basis (e.g. the property is not holiday or student accommodation)</p> <p>Change 3</p> <p>Update to content in section 2.2.2 Rental income – fully verified self-employed – 2 year average > Investment property assessment (table)</p> <p>5. Investment property owned by an entity [*] and currently rented but not rented in the period covered by the tax returns, used in the serviceability assessment.</p> <p>Change of name to scenario 5, new name</p> <p>5. Investment property owned by an entity [*] and currently rented but not rented in the period covered by the tax returns, used in the serviceability assessment.</p> <p>Rental income is <u>not</u> received on a short term basis (e.g. the property is not holiday or student accommodation)</p> <p>Change 4</p> <p>Update to content in section 2.2.2 Rental income – fully verified self-employed – 2 year average > Investment property assessment (table)</p> <p>New scenario 6 and 7 added</p> <table><tr><td>6. Investment property <u>is</u> rented on a short term basis and owned by an entity [*], currently rented but rented for only part of the period covered by the tax returns, used for serviceability assessment.</td><td><p>The Net rental feature must be used (located within the Self-Employed Income Calculator)</p><p>Capture the gross rent for the investment property from the entity tax return rental schedule</p><p>Capture the number of weeks the property was rented from the entity tax return rental schedule</p><p>The net rental feature will calculate a rental adjustment figure that must be loaded with the self-employed income and included in the serviceability assessment.</p><p>The net rental adjustment is based on:</p><p>Gross actual rental income (no annualising)</p><p>adjust for shading, however an additional</p></td></tr></table>	6. Investment property <u>is</u> rented on a short term basis and owned by an entity [*] , currently rented but rented for only part of the period covered by the tax returns, used for serviceability assessment.	<p>The Net rental feature must be used (located within the Self-Employed Income Calculator)</p> <p>Capture the gross rent for the investment property from the entity tax return rental schedule</p> <p>Capture the number of weeks the property was rented from the entity tax return rental schedule</p> <p>The net rental feature will calculate a rental adjustment figure that must be loaded with the self-employed income and included in the serviceability assessment.</p> <p>The net rental adjustment is based on:</p> <p>Gross actual rental income (no annualising)</p> <p>adjust for shading, however an additional</p>
6. Investment property <u>is</u> rented on a short term basis and owned by an entity [*] , currently rented but rented for only part of the period covered by the tax returns, used for serviceability assessment.	<p>The Net rental feature must be used (located within the Self-Employed Income Calculator)</p> <p>Capture the gross rent for the investment property from the entity tax return rental schedule</p> <p>Capture the number of weeks the property was rented from the entity tax return rental schedule</p> <p>The net rental feature will calculate a rental adjustment figure that must be loaded with the self-employed income and included in the serviceability assessment.</p> <p>The net rental adjustment is based on:</p> <p>Gross actual rental income (no annualising)</p> <p>adjust for shading, however an additional</p>			

Amendment number	Amendment issue date	Description of changes	
			<p>10% rental shading (over and above the standard minimum rental shading) will be included, to account for investment property expenses (irrespective of whether the property was rented for 1 week or 51 weeks of the financial year). the rental income already received will then be subtracted.</p> <p>Note : Investment property expenses do not need to be captured as are already included in the tax return net profit, plus an additional 10% shading. Rental income tax deduction / negative gearing is not available. Interest, depreciation (including capital allowance) and any once off expenses can be added back to the entity (do not use the net rental feature for add backs) where policy allows the addback type. Refer to Allowable addbacks</p>
		<p>7. Investment property <u>is</u> rented on a short term basis and owned by an entity * is currently rented but not rented in the period covered by the tax returns , used in the serviceability assessment.</p>	<p>Rental income cannot be used in the serviceability assessment</p> <p>Capture the customer declared investment property expenses</p> <p>The net rental feature will calculate a rental adjustment figure that must be loaded with the self-employed income and included in the serviceability assessment.</p>
<p>Change 5</p> <p>Policy clarification – impacted section 2.3.5 Superannuation (sole trader, partnerships and company structures)</p> <p>Old</p> <p>A Superannuation Guarantee Charge is only compulsory to a Sole Trader, Partnership that has an external employee or under a company structure. Though it is not compulsory for self-employed applicants to contribute towards superannuation, in some instances, applicants do make large bulk payments to such funds. Owners of companies often make contributions on their own behalf in excess, of the Superannuation Guarantee Charge. The Superannuation Guarantee Charge is assessed as a percentage of the salary and the director's fees (in the case of a company) paid to the employees and company director(s). The amount of any contribution made in excess, of the statutory requirement, may be used as an add-back. This will only be considered appropriate when the Profit and Loss statement clearly shows payments were made on behalf of the applicants and not the employees and it can be demonstrated that the excess contributions are not required to service any Self-Managed Super Fund (SMSF) borrowings that the self-employed applicant may have.</p>			

Amendment number	Amendment issue date	Description of changes																								
		<p>New</p> <p>A superannuation guarantee cost is only compulsory to a Sole Trader, Partnership that has an external employee or under a company structure. Though it is not compulsory for self-employed applicants to contribute towards superannuation, in some instances, applicants do make large bulk payments to such funds. Owners of companies often make contributions on their own behalf in excess, of the statutory superannuation guarantee amount.</p> <p>The superannuation guarantee cost is assessed as a percentage of the salary and the director’s fees (in the case of a company) paid to the employees and company director(s). The amount of any contribution made in excess, of the statutory requirement, may be used as an add-back. This will only be considered appropriate when the Profit and Loss statement clearly shows payments were made on behalf of the applicants and not the employees and it can be demonstrated that the excess contributions are not required to service any Self-Managed Super Fund (SMSF) borrowings that the self-employed applicant may have.</p> <p>Change 6</p> <p>Policy clarification – impacted section 2.3.5 Superannuation (sole trader, partnerships and company structures) > example table</p> <p>Old</p> <table><tr><td colspan="2">Sole trader, Partnership</td></tr><tr><td>Net profit from the Business</td><td>\$30,000</td></tr><tr><td>Superannuation Guarantee Charge</td><td>Nil</td></tr><tr><td>Superannuation paid</td><td>\$ 5,000</td></tr><tr><td>Excess Contribution</td><td>\$ 5,000</td></tr><tr><td colspan="2">Company (in this example a director’s fee was not paid.)</td></tr><tr><td>PAYG Salary from the Company</td><td>\$30,000</td></tr><tr><td>Superannuation Guarantee Charge at 9.5%</td><td>\$ 2,850</td></tr><tr><td>Superannuation paid</td><td>\$ 5,000</td></tr><tr><td>Excess Contribution</td><td>\$ 2,150</td></tr></table> <p>New</p> <table><tr><td colspan="2">Sole trader, Partnership</td></tr><tr><td>Net profit from the Business</td><td>\$30,000</td></tr></table>	Sole trader, Partnership		Net profit from the Business	\$30,000	Superannuation Guarantee Charge	Nil	Superannuation paid	\$ 5,000	Excess Contribution	\$ 5,000	Company (in this example a director’s fee was not paid.)		PAYG Salary from the Company	\$30,000	Superannuation Guarantee Charge at 9.5%	\$ 2,850	Superannuation paid	\$ 5,000	Excess Contribution	\$ 2,150	Sole trader, Partnership		Net profit from the Business	\$30,000
Sole trader, Partnership																										
Net profit from the Business	\$30,000																									
Superannuation Guarantee Charge	Nil																									
Superannuation paid	\$ 5,000																									
Excess Contribution	\$ 5,000																									
Company (in this example a director’s fee was not paid.)																										
PAYG Salary from the Company	\$30,000																									
Superannuation Guarantee Charge at 9.5%	\$ 2,850																									
Superannuation paid	\$ 5,000																									
Excess Contribution	\$ 2,150																									
Sole trader, Partnership																										
Net profit from the Business	\$30,000																									

Amendment number	Amendment issue date	Description of changes	
		Statutory superannuation guarantee amount	Nil
		Superannuation paid	\$ 5,000
		Excess Contribution	\$ 5,000
		Company (in this example a director's fee was not paid.)	
		PAYG Salary from the Company	\$30,000
		Statutory superannuation guarantee cost at 9.5% Note: the statutory superannuation guarantee cost of 9.5% is used for illustration purposes only. Refer to the Australian Taxation Office for current Super Guarantee rates.	\$ 2,850
		Superannuation paid	\$ 5,000
		Excess Contribution	\$ 2,150
		<p>Change 7 Policy clarification – impacted section 2.6 Fast track self-employed assessment</p> <p>Old Income from the self-employed applicant is to be verified completely from the applicants personal ATO NOA's, i.e. no further income documentation is to be requested, where servicing is met using income from the ATO NOA's.</p> <p>New Income from the self-employed applicant is to be verified completely from the applicants personal ATO NOA's, i.e. no further self-employed income documentation (within age of documentation requirements) is to be held or requested, where servicing is met using income from the ATO NOA's.</p> <p>Change 8 Policy clarification – impacted section 2.6.1 Eligibility criteria – fast track self-employed assessment</p> <p>New dot point added The <u>only</u> self-employed income verification documents that have been provided to the bank or held on file (within age of document requirements) are the ATO NOAs</p> <p>Change 9 Policy clarification – Exclusion criteria – fast track self-employed assessment</p> <p>New dot point added The bank is provided with or holds any self-employed income verification documents (within age of document requirements) <u>other</u> than the ATO NOAs.</p> <p>Change 10 In the " 2.2 Fully verified self-employed assessment " section; Deleted Where there are combined self-employed and PAYG applicants, all applicant(s) income and employment are to be fully verified in line with</p>	

Amendment number	Amendment issue date	Description of changes																
		<p>standard policy requirements. For further information regarding PAYG requirements refer to Verifying Income policy.</p> <p>Added the "Income assessment method" table</p> <p>Change 11</p> <p>2.3 Serviceability calculations – fully verified self-employed standard assessment 2 year average has been re-named to Serviceability calculations, approval conditions and authority level - fully verified self-employed assessment.</p> <p>The requirement to initially test serviceability based on the standard assessment 2 year average method has been deleted.</p> <p>"The income used for serviceability assessment is outlined in the table below" has been re written completely.</p> <p>New content;</p> <table><tr><th>Income verification method</th><th>Scenario</th><th>Income used for serviceability assessment</th><th>Approval conditions and authority level</th></tr><tr><td>Fully verified self-employed – 2 year average Or Fully verified self-employed – Latest year income</td><td>Most recent years income is lower than the prior years income.</td><td>The most recent year's income must be used for serviceability</td><td></td></tr><tr><td>Fully verified self-employed – 2 year average</td><td>When the most recent year's income is higher than the prior year</td><td>The average of the most recent year and the prior year's income must be used for serviceability</td><td>For policy rules refer to Fully verified self-employed assessment > income assessment method > Fully verified – 2 year average</td></tr><tr><td>Fully verified self-employed – Latest year income</td><td>When the latest year's income is higher than the previous year</td><td>The latest years income may be used for serviceability when the approval conditions and the Fully verified self-employed – Latest year</td><td>Non-mortgage insured only (Mortgage insured applications are not eligible for assessment using latest year income) Lender /assessors can approve where: the 2 year average income is <= 130%</td></tr></table>	Income verification method	Scenario	Income used for serviceability assessment	Approval conditions and authority level	Fully verified self-employed – 2 year average Or Fully verified self-employed – Latest year income	Most recent years income is lower than the prior years income.	The most recent year's income must be used for serviceability		Fully verified self-employed – 2 year average	When the most recent year's income is higher than the prior year	The average of the most recent year and the prior year's income must be used for serviceability	For policy rules refer to Fully verified self-employed assessment > income assessment method > Fully verified – 2 year average	Fully verified self-employed – Latest year income	When the latest year's income is higher than the previous year	The latest years income may be used for serviceability when the approval conditions and the Fully verified self-employed – Latest year	Non-mortgage insured only (Mortgage insured applications are not eligible for assessment using latest year income) Lender /assessors can approve where: the 2 year average income is <= 130%
Income verification method	Scenario	Income used for serviceability assessment	Approval conditions and authority level															
Fully verified self-employed – 2 year average Or Fully verified self-employed – Latest year income	Most recent years income is lower than the prior years income.	The most recent year's income must be used for serviceability																
Fully verified self-employed – 2 year average	When the most recent year's income is higher than the prior year	The average of the most recent year and the prior year's income must be used for serviceability	For policy rules refer to Fully verified self-employed assessment > income assessment method > Fully verified – 2 year average															
Fully verified self-employed – Latest year income	When the latest year's income is higher than the previous year	The latest years income may be used for serviceability when the approval conditions and the Fully verified self-employed – Latest year	Non-mortgage insured only (Mortgage insured applications are not eligible for assessment using latest year income) Lender /assessors can approve where: the 2 year average income is <= 130%															

Amendment number	Amendment issue date	Description of changes			
				income policy has been met	<p>of the prior year's figure; and the appropriate self-employed DRA is held (providing the remainder of the application is within their authority). Where the 2 years average income is > 130% of the prior year's income then following options are available:</p> <p>Assess serviceability using the Fully verified self-employed assessment > income assessment method > Fully verified – 2 year average; or</p> <p>Refer the loan application to Credit with supporting rational discussing the change in business profitability and how this is considered sustainable. Refer to Guide to understanding changes to business profitability and recording supporting rationale for Fully verified - Latest year income assessment.</p> <p>Credit will review and may either: support and approve within policy, recommend assessment based on a 2 year average; or request further</p>

Amendment number	Amendment issue date	Description of changes			
					supporting commentary / documentation if appropriate.
		<p>Change 12 Deleted 2.4 Fully verified self employed assessment – Latest year income and 2.5 Fully verified self employed assessment COVID Recovery (FY2019 income) sections.</p> <p>Change 13 Serviceability Assessment – Fast track self-employed assessment Deleted: the average income is $\leq 130\%$ of the prior year's figure and ; Where the average income is $> 130\%$ of the prior year figure, the application will refer to Credit If the application 'refers to Credit' due to 'income $> 130\%$ of prior year', Credit will review the application and decide if it can continue to proceed using the fast track process. In some cases Credit may decide the application needs to be assessed as a <i>Fully verified self-employed standard assessment - 2 year average</i> application, where this occurs the applicant will need to provide additional information.</p> <p>Change 14 Accountants letter; Deleted Fully verified self employed assessment (latest year income) and Fully verified self employed assessment COVID Recovery (FY 2019 income) from the table</p> <p>Change 15 Guide to understanding changes to business profitability and recording supporting rationale for Fully verified - latest year income assessment; Deleted; It is best practice to record factors relating to the assessment of self-employed / business income in all cases, regardless of whether the file is approved within your authority (DRA) or is escalated to Credit for consideration. Including but not limited to when: average income $> 130\%$ of prior year income or; using the single latest years income for serviceability assessment or ; Added: It is best practice to record factors relating to the assessment of self-employed / business income in all cases, regardless of whether the file is approved within your authority (OVA) or is escalated to Credit for consideration. When assessing serviceability based on the latest year self-employed income and the two years average income is $> 130\%$ of the prior years income, it is mandatory to review the business financials and to enter supporting comments to explain: Supporting comments should refer to the appropriate items in the financials/tax returns where possible and may also be supported by customer conversations and additional supporting documents if appropriate.</p>			

Amendment number	Amendment issue date	Description of changes				
9	20 November 2022	<p>Change 1</p> <p>Under section ' Exceptions to providing 2 years tax returns / financials ' ></p> <p>> Partners from selected companies' included the below companies:</p> <ul style="list-style-type: none">• Gilbert & Tobin• Pitcher Partners• Binder Dijker Otte – BDO• William Buck <p>Change 2</p> <p>Added a new scenario to the ' Exceptions to providing 2 years tax returns / financials ' table</p> <table><tr><td><p>Applicant is self-employed and self-employed entity is a non-trading entity or investment holding vehicle and only the tax returns for the entity are held. Financials / profit loss and balance sheets are not completed for the entity</p><p>Self-employed income from the non-trading entity includes the below types, where the entity may be wholly or partially owned by the applicant:</p><ul style="list-style-type: none">• Directors fees• Dividends• Undistributed company profit• Trust distributions• Partnership distributions</td><td><p>This scenario may be accepted by the assessor without referral to Credit where the tax returns of the entity are held supported by an accountants' letter or accountants' email advice.</p><p>Assessors must:</p><ul style="list-style-type: none">• Refer to Accountants' letter for the specific information that must be included on the accountants' letter / accountants' email advice; and• Enter <i>OBP</i> assessment notes with commentary of the verification outcome.<p>Note: This option can-not be used where:</p><ul style="list-style-type: none">• The entity is a sole trader or personal services entity or• Where the entity is trading as a business (in any capacity or any turnover amount) or• Financials were provided by the applicant to the Bank</td></tr></table> <p>Change 3</p> <p>Added a new scenario to the ' Accountants letter / Accountants email advice mandatory requirements ' table</p> <table><tr><td><p>Applicant is self-employed and self-employed entity is a non-trading entity or investment</p></td><td><ul style="list-style-type: none">• Adhere to the standards outlined in Documents standards policy:<ul style="list-style-type: none">◦ Accountants letter</td></tr></table>	<p>Applicant is self-employed and self-employed entity is a non-trading entity or investment holding vehicle and only the tax returns for the entity are held. Financials / profit loss and balance sheets are not completed for the entity</p> <p>Self-employed income from the non-trading entity includes the below types, where the entity may be wholly or partially owned by the applicant:</p> <ul style="list-style-type: none">• Directors fees• Dividends• Undistributed company profit• Trust distributions• Partnership distributions	<p>This scenario may be accepted by the assessor without referral to Credit where the tax returns of the entity are held supported by an accountants' letter or accountants' email advice.</p> <p>Assessors must:</p> <ul style="list-style-type: none">• Refer to Accountants' letter for the specific information that must be included on the accountants' letter / accountants' email advice; and• Enter <i>OBP</i> assessment notes with commentary of the verification outcome. <p>Note: This option can-not be used where:</p> <ul style="list-style-type: none">• The entity is a sole trader or personal services entity or• Where the entity is trading as a business (in any capacity or any turnover amount) or• Financials were provided by the applicant to the Bank	<p>Applicant is self-employed and self-employed entity is a non-trading entity or investment</p>	<ul style="list-style-type: none">• Adhere to the standards outlined in Documents standards policy:<ul style="list-style-type: none">◦ Accountants letter
<p>Applicant is self-employed and self-employed entity is a non-trading entity or investment holding vehicle and only the tax returns for the entity are held. Financials / profit loss and balance sheets are not completed for the entity</p> <p>Self-employed income from the non-trading entity includes the below types, where the entity may be wholly or partially owned by the applicant:</p> <ul style="list-style-type: none">• Directors fees• Dividends• Undistributed company profit• Trust distributions• Partnership distributions	<p>This scenario may be accepted by the assessor without referral to Credit where the tax returns of the entity are held supported by an accountants' letter or accountants' email advice.</p> <p>Assessors must:</p> <ul style="list-style-type: none">• Refer to Accountants' letter for the specific information that must be included on the accountants' letter / accountants' email advice; and• Enter <i>OBP</i> assessment notes with commentary of the verification outcome. <p>Note: This option can-not be used where:</p> <ul style="list-style-type: none">• The entity is a sole trader or personal services entity or• Where the entity is trading as a business (in any capacity or any turnover amount) or• Financials were provided by the applicant to the Bank					
<p>Applicant is self-employed and self-employed entity is a non-trading entity or investment</p>	<ul style="list-style-type: none">• Adhere to the standards outlined in Documents standards policy:<ul style="list-style-type: none">◦ Accountants letter					

Amendment number	Amendment issue date	Description of changes
		<p>holding vehicle and only the tax returns for the entity are held. Financials / profit loss and balance sheets are not completed for the entity.</p> <p>Self-employed income from the non-trading entity includes the below types, where the entity may be wholly or partially owned by the applicant:</p> <ul style="list-style-type: none"> • Directors fees • Dividends • Undistributed company profit • Trust distributions • Partnership distributions <ul style="list-style-type: none"> ◦ Accountants email advice • Confirmation that the Accountant has completed the most recent / latest year's tax returns; and • Detail all liabilities the entity has; and • Confirm the entity does not trade or operate as a business in any capacity or any turnover amount; and • Specifically confirm that financials / profit loss & balance sheets are not prepared for the entity. <p>Change 4 Updated section 'Applications by income source > Dividend received from own company and used for serviceability calculations (not using any undistributed company profit)'</p> <p>Old wording Not eligible for Fast track assessment, obtain the following income verification documents:</p> <ul style="list-style-type: none"> • Last 2 years Company tax returns and financial statements (profit loss and balance sheets must be reviewed <i>to identify if Company is trading profitably or at a loss</i>) and • Last 2 years Personal tax returns are required, supported by each years ATO Notice of assessment for mortgage insured applications, or latest single year ATO notice of assessment for non-mortgage insured applications year (whilst preferable to hold all pages of the ATO NOA, minimum requirement is for page 1 (front page) of the ATO NOA to be held for Fully verified Self-employed applicant). <p>New wording Not eligible for Fast track assessment, obtain the following income verification documents :</p> <ul style="list-style-type: none"> • Last 2 years Company tax returns and financial statements (profit loss and balance sheets must be reviewed <i>to identify if Company is trading profitably or at a loss</i>); and • Last 2 years Personal tax returns are required, supported by: <ul style="list-style-type: none"> ◦ For non-mortgage insured: <ul style="list-style-type: none"> ▪ latest single year ATO notice of assessment; or ▪ If ATO NOA has not issued: latest Australian Tax Return lodgement extract from MyGov Portal ◦ For mortgage insured: <ul style="list-style-type: none"> ▪ each years ATO Notice of assessment; or ▪ If ATO NOA/s has not issued: latest Australian Tax Return lodgement extract from MyGov Portal <p>Note: Where an ATO NOA is used, whilst it is preferable to hold all pages of the ATO NOA, the minimum requirement is for page 1 (front page) of the ATO NOA to be held for Fully verified Self-employed applicant.</p>

Amendment number	Amendment issue date	Description of changes
		<p>Change 5</p> <p>Updated section 'Applications by income source >PAYG income from own company and / or Directors fees from own company only'</p> <p>Old wording</p> <p>Where not eligible for fast-track assessment, obtain the following income verification documents:</p> <ul style="list-style-type: none"> • Last 2 years Trust and / or Company tax returns (<i>to identify if Company is trading profitably or at a loss</i>) and • financial statements (including profit and loss accounts and balance sheets) showing two years of financial data corresponding to the tax returns provided and • Last 2 years Personal tax returns supported by each years ATO Notice of assessment for mortgage insured applications, or latest single year ATO notice of assessment for non-mortgage insured applications (whilst preferable to hold all pages of the ATO NOA, minimum requirement is for page 1 (front page) of the ATO NOA to be held for Fully verified Self-employed applicant). <p>New wording</p> <p>Where not eligible for fast-track assessment, obtain the following income verification documents:</p> <ul style="list-style-type: none"> • Last 2 years Trust and / or Company tax returns (<i>to identify if Company is trading profitably or at a loss</i>) and • financial statements (including profit and loss accounts and balance sheets) showing two years of financial data corresponding to the tax returns provided; and • Last 2 years Personal tax returns supported by: <ul style="list-style-type: none"> ◦ For non-mortgage insured: <ul style="list-style-type: none"> ▪ latest single year ATO notice of assessment; or ▪ If ATO NOA has not issued: latest Australian Tax Return lodgement extract from MyGov Portal ◦ For mortgage insured: <ul style="list-style-type: none"> ▪ each years ATO Notice of assessment; or ▪ If ATO NOA/s has not issued: latest Australian Tax Return lodgement extract from MyGov Portal <p>Note: Where an ATO NOA is used, whilst it is preferable to hold all pages of the ATO NOA, the minimum requirement is for page 1 (front page) of the ATO NOA to be held for Fully verified Self-employed applicant).</p> <p>Change 6</p> <p>Updated section 'Exceptions to providing 2 years tax returns / financials > Applicant is self-employed and no income from the <u>related</u> business / self-employed entity is used towards serviceability and Business / self-employed entity is trading'</p> <p>Old wording</p> <p>Obtain the following income verification documents:</p> <ul style="list-style-type: none"> • Latest single year personal tax returns supported by ATO Notice of Assessment (if self-employed as a sole trader or personal services income only) (whilst preferable to hold all pages of the ATO NOA, minimum requirement is for page 1 (front page) of the ATO NOA to be held for Fully verified Self-employed applicant); and <p>New wording</p> <p>Obtain the following income verification documents:</p> <ul style="list-style-type: none"> • Latest single year personal tax returns supported by:

Amendment number	Amendment issue date	Description of changes
		<ul style="list-style-type: none"> ATO Notice of Assessment (if self-employed as a sole trader or personal services income only); or If ATO NOA has not issued: latest Australian Tax Return lodgement extract from MyGov Portal (if self-employed as a sole trader or personal services income only) <p>Note: Where an ATO NOA is used, whilst it is preferable to hold all pages of the ATO NOA, the minimum requirement is for page 1 (front page) of the ATO NOA to be held for Fully verified Self-employed applicant);</p> <p>Old wording Where the business has been trading for > 1 year and < 2 years obtain the income verification documents for the period the business has been trading:</p> <ul style="list-style-type: none"> Personal tax returns supported by each years ATO notice of assessment for mortgage insured applications, or latest single year ATO notice of assessment for non-mortgage insured applications (whilst preferable to hold all pages of the ATO NOA, minimum requirement is for page 1 (front page) of the ATO NOA to be held for Fully verified Self-employed applicant); and <p>New wording Where the business has been trading for > 1 year and < 2 years obtain the income verification documents for the period the business has been trading:</p> <ul style="list-style-type: none"> Personal tax returns supported by: <ul style="list-style-type: none"> For non-mortgage insured: <ul style="list-style-type: none"> latest single year ATO notice of assessment; or If ATO NOA has not issued: latest Australian Tax Return lodgement extract from MyGov Portal For mortgage insured: <ul style="list-style-type: none"> each years ATO Notice of assessment; or If ATO NOA/s has not issued: latest Australian Tax Return lodgement extract from MyGov Portal Note: Where an ATO NOA is used, (whilst it is preferable to hold all pages of the ATO NOA, the minimum requirement is for page 1 (front page) of the ATO NOA to be held for Fully verified Self-employed applicant); <p>Change7 Updated section ' Income verification - fully verified self-employed assessment > Fully verified 2 year average'</p> <p>Old wording Non-Mortgage insured:</p> <ul style="list-style-type: none"> Last 2 years <i>Personal tax return supported by</i> latest single year ATO notice of assessment (whilst preferable to hold all pages of the ATO NOA, minimum requirement is for page 1 (front page) of the ATO NOA to be held for Fully verified Self-employed applicant) and <p>New wording Non-Mortgage insured:</p> <ul style="list-style-type: none"> Last 2 years <i>Personal tax return supported by:</i> <ul style="list-style-type: none"> latest single year ATO notice of assessment (whilst it is preferable to hold all pages of the ATO NOA, the minimum requirement is for page 1 (front page) of the ATO NOA to be held for Fully verified Self-employed applicant); or

Amendment number	Amendment issue date	Description of changes						
		<ul style="list-style-type: none"> ◦ If ATO NOA has not issued: latest Australian Tax Return lodgement extract from MyGov Portal <p>Change 8 Updated section ' Income verification - fully verified self-employed assessment > Fully verified 2 year average'</p> <p>Old wording Mortgage insured:</p> <ul style="list-style-type: none"> • Last 2 years Personal <i>tax returns supported by each years</i> ATO Notice of Assessments (whilst preferable to hold all pages of the ATO NOA, minimum requirement is for page 1 (front page) of the ATO NOA to be held for Fully verified Self-employed applicant) and <p>New wording Mortgage insured:</p> <ul style="list-style-type: none"> • Last 2 years Personal <i>tax returns supported by:</i> <ul style="list-style-type: none"> ◦ each years ATO Notice of Assessments (whilst it is preferable to hold all pages of the ATO NOA, the minimum requirement is for page 1 (front page) of the ATO NOA to be held for Fully verified Self-employed applicant); or ◦ If ATO NOA/s has not issued: latest Australian Tax Return lodgement extract from MyGov Portal 						
10	19 February 2023	<p>Change 1 Update to wording in section 2.3.1 Allowable addbacks</p> <p>Old wording Where Add-backs are being used for income assessment the broker / assessor must ensure their loan assessment notes identify the add-back being used and explain why it should be considered. Note: On loans where LMI is required and add-backs other than Interest, Leasing and Hire purchase are required to meet servicing, such proposals must be referred to the Mortgage Insurer.</p> <p>New wording Where Add-backs are being used for income assessment the broker / assessor must ensure their loan assessment notes identify the add-back being used and explain why it should be considered. Note: On loans where LMI is required and add-backs other than Depreciation, Interest, Leasing and Hire purchase are required to meet servicing, such proposals must be referred to the Mortgage Insurer.</p> <p>Change 2 Update to content in section 2.3.2 Depreciation (mortgage insured applications)</p> <p>Old wording</p> <table border="1"> <thead> <tr> <th>What % can I use</th><th>When</th><th>What do I need to do</th></tr> </thead> <tbody> <tr> <td>100%</td><td> <ul style="list-style-type: none"> • The business type must be a sole trader, partnership or company; and </td><td> <p>Non-mortgage insured applications</p> <p>Where OBP or the Company / Trust income calculator is the assessment tool:</p> </td></tr> </tbody> </table>	What % can I use	When	What do I need to do	100%	<ul style="list-style-type: none"> • The business type must be a sole trader, partnership or company; and 	<p>Non-mortgage insured applications</p> <p>Where OBP or the Company / Trust income calculator is the assessment tool:</p>
What % can I use	When	What do I need to do						
100%	<ul style="list-style-type: none"> • The business type must be a sole trader, partnership or company; and 	<p>Non-mortgage insured applications</p> <p>Where OBP or the Company / Trust income calculator is the assessment tool:</p>						

Amendment number	Amendment issue date	Description of changes		
			<ul style="list-style-type: none"> The depreciated assets are under finance and a corresponding liability is evident on the balance sheet. <p>We permit the addback in this instance because if at a future point in time the asset requires renewal, the applicant may also renew the debt and in our serviceability assessment we have included the existing commitment</p>	<ul style="list-style-type: none"> ensure a commitment has been loaded (refer to Commitments policy for further details about verification requirements) <p>Mortgage insured applications</p> <ul style="list-style-type: none"> same as non-mortgage insured applications plus, application will be outside of a lenders authority to approve. Application must be referred to the Mortgage insurer for consideration. Where the remainder of the application is within your authority you can refer direct to the Mortgage Insurer. Where the remainder of the application contains either Bank policy exceptions or exceeds your authority, the application must first be referred to Credit. Mortgage insurer may choose to allow the use of depreciation in whole or part for serviceability assessment
		<p>Depreciation addback percentage which can be used may vary between 0% - 100%</p> <ul style="list-style-type: none"> Depreciation addback must be adjusted in line with personal use percentage 	<ul style="list-style-type: none"> The business type must be a sole trader, partnership or company; and The depreciation is in respect of an income producing asset (that is not under finance) and that asset is required to be maintained / updated to ensure continuance of the income. 	<p>Non-mortgage insured applications</p> <p>You must:</p> <ul style="list-style-type: none"> contact the applicant and obtain additional information to understand if the assets being depreciated: <ul style="list-style-type: none"> are being used for personal purposes and if so, the percentage used for personal and business use (depreciation addback percentage cannot exceed the business use percentage) and the lifespan of these assets and whether these are integral to the daily operation of the business and

Amendment number	Amendment issue date	Description of changes								
			<p>Examples of this would include:</p> <ul style="list-style-type: none">• Taxi operators applying depreciation on their cab.• Truck operators depreciating their truck/s.• Excavation / Earthmoving operators applying depreciation on machinery.• Restaurant equipment / furnishings or fit out. <p>In these types of scenarios, the depreciation item claimed should not be added back, as the equipment itself will require maintenance and / or replacement at some point, hence funds will need to be apportioned / set aside to be able to do this.</p>	<ul style="list-style-type: none">• Record the outcome of the discussions in loan assessment notes and• Upload to OBP any supporting documentation such as a depreciation schedule <p>Mortgage insured applications</p> <ul style="list-style-type: none">• same as non-mortgage insured applications plus, application will be outside of an assessor / lenders authority to approve. Application must be referred to the Mortgage insurer for consideration. Where the remainder of the application is within your authority you can refer direct to the Mortgage Insurer. Where the remainder of the application contains a policy exception or exceeds your authority, the application must first be referred to Credit.• Mortgage insurer may choose to allow the use of depreciation in whole or part for serviceability assessment						
		<p>New wording</p> <table><tr><th>What % can I use</th><th>When</th><th>What do I need to do</th></tr><tr><td>100%</td><td><ul style="list-style-type: none">• The business type must be a sole trader, partnership or company; and• The depreciated assets are</td><td><p>Non-mortgage insured applications</p><p>Where OBP or the Company / Trust income calculator is the assessment tool:</p><ul style="list-style-type: none">• ensure a commitment has been loaded (refer to</td></tr></table>			What % can I use	When	What do I need to do	100%	<ul style="list-style-type: none">• The business type must be a sole trader, partnership or company; and• The depreciated assets are	<p>Non-mortgage insured applications</p> <p>Where OBP or the Company / Trust income calculator is the assessment tool:</p> <ul style="list-style-type: none">• ensure a commitment has been loaded (refer to
What % can I use	When	What do I need to do								
100%	<ul style="list-style-type: none">• The business type must be a sole trader, partnership or company; and• The depreciated assets are	<p>Non-mortgage insured applications</p> <p>Where OBP or the Company / Trust income calculator is the assessment tool:</p> <ul style="list-style-type: none">• ensure a commitment has been loaded (refer to								

Amendment number	Amendment issue date	Description of changes		
			<p>under finance and a corresponding liability is evident on the balance sheet.</p> <p>We permit the addback in this instance because if at a future point in time the asset requires renewal, the applicant may also renew the debt and in our serviceability assessment we have included the existing commitment</p>	<p>Commitments policy for further details about verification requirements)</p> <p>Mortgage insured applications</p> <ul style="list-style-type: none"> • same as non-mortgage insured applications plus, application will be outside of a lenders authority to approve. Application must be referred to Credit for consideration. • Credit may choose to allow the use of depreciation in whole or part for serviceability assessment
		<p>Depreciation addback percentage which can be used may vary between 0% - 100% Depreciation addback must be adjusted in line with personal use percentage</p>	<ul style="list-style-type: none"> • The business type must be a sole trader, partnership or company; and • The depreciation is in respect of an income producing asset (that is not under finance) and that asset is required to be maintained / updated to ensure continuance of the income. <p>Examples of this would include:</p> <ul style="list-style-type: none"> • Taxi operators applying depreciation on their cab. • Truck operators depreciating their truck/s. • Excavation / Earthmoving 	<p>Non-mortgage insured applications</p> <p>You must:</p> <ul style="list-style-type: none"> • contact the applicant and obtain additional information to understand if the assets being depreciated: <ul style="list-style-type: none"> ◦ are being used for personal purposes and if so, the percentage used for personal and business use (depreciation addback percentage cannot exceed the business use percentage) and ◦ the lifespan of these assets and whether these are integral to the daily operation of the business and • Record the outcome of the discussions in loan assessment notes and • Upload to OBP any supporting documentation such as a depreciation schedule <p>Mortgage insured applications</p>

Amendment number	Amendment issue date	Description of changes	
		<p>operators applying depreciation on machinery.</p> <ul style="list-style-type: none"> • Restaurant equipment / furnishings or fit out. <p>In these types of scenarios, the depreciation item claimed should not be added back, as the equipment itself will require maintenance and / or replacement at some point, hence funds will need to be apportioned / set aside to be able to do this.</p>	<ul style="list-style-type: none"> • same as non-mortgage insured applications plus, application will be outside of an assessor / lenders authority to approve. Application must be referred to Credit for consideration. • Credit may choose to allow the use of depreciation in whole or part for serviceability assessment

Change 3

Update the wording in section 2.1.1 Applications by income source

Old wording

Income Scenario	Additional requirements
Applicant has PAYG income from a Business wholly or partially owned by their spouse	<p>Refer to:</p> <ul style="list-style-type: none"> • PAYG applicant as per <i>Verifying income > Rules > Family employee</i>

New wording

Income Scenario	Additional requirements
<p>Applicant has PAYG income from a Business wholly or partially owned by their spouse, and</p> <p>The applicant's spouse is a co-borrower / income guarantor</p>	<p>The applicant may be assessed as:</p> <ul style="list-style-type: none"> • PAYG applicant as per <i>Verifying income > Rules > Family employee, or</i> • The same as a self-employed applicant, where assessed using the same self-employed income

Amendment number	Amendment issue date	Description of changes			
		or assessed under Apportioned Household Expenses and Commitments, on the new loan	assessment method used to verify the applicant's spouses' income, e.g. fully verified, Fast Track		
		Applicant has PAYG income from a Business wholly or partially owned by their spouse, and The applicant's spouse is not a co-borrower / income guarantor or assessed under Apportioned Household Expenses and Commitments, on the new loan	The applicant must be assessed as: <ul style="list-style-type: none">PAYG applicant as per <i>Verifying income > Rules > Family employee</i>		
		Change 4 Updated wording in section '2.5 Accountants letter' Old wording			
		<table><tr><th>Assessment method</th><th>Where a letter / email from the business's accountant is permitted for use as a supporting document, it must contain all of the below:</th></tr><tr><td>Applicant is self-employed and no income from the related business / self-employed entity is used towards serviceability and Business / self-employed entity is trading Business income includes the below income types, where the business may be wholly or partially owned by the applicant.<ul style="list-style-type: none">Directors feesDividendsPAYG (from the business)Undistributed company profit</td><td><ul style="list-style-type: none">Adhere to the standards outlined in Documents standards policy:<ul style="list-style-type: none">Accountants letterAccountants email adviceConfirmation that the Accountant has completed the most recent / latest year's tax returns and / or associated financial statements for the relevant entities subject to the declaration, or if the business has only recently commenced (within the current financial year) the accountant must:<ul style="list-style-type: none">State date of business commencement andConfirm when they started acting for the applicant andConfirm they have been completing the applicant's BAS since the business commenced.Note: If the accountant has not completed the tax returns / financials or BAS, the accountant will have limited financial understanding of the business and the accountant's letter cannot be used.</td></tr></table>	Assessment method	Where a letter / email from the business's accountant is permitted for use as a supporting document, it must contain all of the below:	Applicant is self-employed and no income from the related business / self-employed entity is used towards serviceability and Business / self-employed entity is trading Business income includes the below income types, where the business may be wholly or partially owned by the applicant. <ul style="list-style-type: none">Directors feesDividendsPAYG (from the business)Undistributed company profit
Assessment method	Where a letter / email from the business's accountant is permitted for use as a supporting document, it must contain all of the below:				
Applicant is self-employed and no income from the related business / self-employed entity is used towards serviceability and Business / self-employed entity is trading Business income includes the below income types, where the business may be wholly or partially owned by the applicant. <ul style="list-style-type: none">Directors feesDividendsPAYG (from the business)Undistributed company profit	<ul style="list-style-type: none">Adhere to the standards outlined in Documents standards policy:<ul style="list-style-type: none">Accountants letterAccountants email adviceConfirmation that the Accountant has completed the most recent / latest year's tax returns and / or associated financial statements for the relevant entities subject to the declaration, or if the business has only recently commenced (within the current financial year) the accountant must:<ul style="list-style-type: none">State date of business commencement andConfirm when they started acting for the applicant andConfirm they have been completing the applicant's BAS since the business commenced. Note: If the accountant has not completed the tax returns / financials or BAS, the accountant will have limited financial understanding of the business and the accountant's letter cannot be used.				

Amendment number	Amendment issue date	Description of changes	
		<ul style="list-style-type: none"> • Trust distributions • Partnership distributions • Sole trader net profit • Personal services income 	<ul style="list-style-type: none"> • Confirm that the business / entity(s) in question: <ul style="list-style-type: none"> ◦ Is / are trading profitably; and ◦ Have sufficient current earnings to meet their debts (after all expenses including but not limited to the principal component / fees of any debts, paying wages, superannuation and taxation obligations) without drawing on any retained prior year profits or proceeds, capital gain sale of business assets or reliance on any once off grant, boost payment (e.g., COVID etc); and ◦ There is no reliance on any income from the applicants (borrower, guarantor, or Apportioned shared commitment) by the business including where there are loans from applicants evident in borrower financial information already provided.
		<p>Business / self-employed entity does not trade and has no current or deferred commitments identified. Entity has an 'active' ABN.</p>	<ul style="list-style-type: none"> • Adhere to the standards outlined in policy Documents standards policy: <ul style="list-style-type: none"> ◦ Accountants letter ◦ Accountants email advice • Confirmation of the applicant's name and any associated entity(s) names, including ABN's to which the declaration applies. • Confirmation that the Accountant was the accountant for the business if it previously traded. • Confirm the date the business ceased trading, or if the business has never traded the accountant must confirm this. • Confirm the business is not trading & that the business has no current or deferred commitments / liabilities.
		<p>Applicant is self-employed and self-employed entity is a non-trading entity or investment holding vehicle and only the tax returns for the entity are held. Financials / profit loss and balance sheets are not completed for the</p>	<ul style="list-style-type: none"> • Adhere to the standards outlined in Documents standards policy: <ul style="list-style-type: none"> ◦ Accountants letter ◦ Accountants email advice • Confirmation that the Accountant has completed the most recent / latest year's tax returns; and • Detail all liabilities the entity has; and • Confirm the entity does not trade or operate as a business in any capacity or any turnover amount; and • Specifically confirm that financials / profit loss & balance sheets are not prepared

Amendment number	Amendment issue date	Description of changes			
		<div>entity.</div> <div>Self-employed income from the non-trading entity includes the below types, where the entity may be wholly or partially owned by the applicant:<ul style="list-style-type: none">• Directors fees• Dividends• Undistributed company profit• Trust distributions• Partnership distributions</div>	<div>for the entity.</div>		
		<div>Action required</div> <div>Following the receipt of the Accountant’s letter or Accountants email advice, Lenders / Assessors must in all cases:<ul style="list-style-type: none">• Verify the Accountant’s or Accounting firm’s tax agent / BAS agent registration status is current, using https://www.tpb.gov.au/registrations_search . Upload to OBP the search result. The Tax Practitioner Board (TPB) number may be required to perform this search, so it is preferable for the TPB Number be included on the Accountant Letter / email, however, this is not mandatory provided the registration can still be validated as current via the TPB website above.• Validate that the letter has addressed all of the above requirements. If the letter does not address all of the above criteria or when tax returns / financials for the entity are held the letter is unacceptable and cannot be used.</div>			
		<div>New wording</div> <table><tr><th>Assessment method</th><th>Where a letter / email from the business’s accountant is permitted for use as a supporting document, it must contain all of the below:</th></tr><tr><td><div>Applicant is self-employed</div><div>and</div><div>no income from the related business / self-employed entity is used towards serviceability</div><div>and</div><div>Business / self-</div></td><td><ul style="list-style-type: none">• Adhere to the standards outlined in Documents standards policy:<ul style="list-style-type: none">◦ Accountants letter◦ Accountants email advice• Confirm:<ul style="list-style-type: none">◦ That the Accountant has completed the most recent / latest year’s tax returns and / or associated financial</td></tr></table>		Assessment method	Where a letter / email from the business’s accountant is permitted for use as a supporting document, it must contain all of the below:
Assessment method	Where a letter / email from the business’s accountant is permitted for use as a supporting document, it must contain all of the below:				
<div>Applicant is self-employed</div> <div>and</div> <div>no income from the related business / self-employed entity is used towards serviceability</div> <div>and</div> <div>Business / self-</div>	<ul style="list-style-type: none">• Adhere to the standards outlined in Documents standards policy:<ul style="list-style-type: none">◦ Accountants letter◦ Accountants email advice• Confirm:<ul style="list-style-type: none">◦ That the Accountant has completed the most recent / latest year’s tax returns and / or associated financial				

Amendment number	Amendment issue date	Description of changes	
		<p>employed entity is trading Business income includes the below income types, where the business may be wholly or partially owned by the applicant.</p> <ul style="list-style-type: none"> • Directors fees • Dividends • PAYG (from the business) • Undistributed company profit • Trust distributions • Partnership distributions • Sole trader net profit • Personal services income 	<p>statements for the relevant entities subject to the declaration, or</p> <ul style="list-style-type: none"> ◦ Where the business has only recently commenced (within the current financial year) the accountant must confirm: <ul style="list-style-type: none"> ▪ The date the business commenced, and ▪ How long they have been acting for the applicant, and ▪ That they have been completing the applicant's BAS since the business commenced, where BAS (partial or full quarter) has been required to have been lodged. <p>Note: If the accountant has not completed the tax returns / financials or BAS, the accountant will have limited financial understanding of the business and the accountant's letter cannot be used.</p> <ul style="list-style-type: none"> • Confirm that the business / entity(s): <ul style="list-style-type: none"> ◦ Is / are trading profitably; and ◦ Has sufficient current earnings from recurring income to meet their ongoing debts (i.e. after all expenses including but not limited to the principal component / fees of any debts, paying wages, superannuation and taxation obligations, without drawing on any retained prior year profits or proceeds, capital gain sale of business assets or reliance on any once off grant, boost payment e.g., COVID etc); and • There is no reliance on any income from the applicants (borrower, guarantor, or Apportioned shared commitment) by the business including where there are loans from applicants evident in borrower financial information held, where applicable.
		<p>Business / self-employed entity with an active ABN, where:</p> <ul style="list-style-type: none"> • The entity does not trade or has never traded, and • Has no current or deferred commitments 	<ul style="list-style-type: none"> • Adhere to the standards outlined in policy Documents standards policy: <ul style="list-style-type: none"> ◦ Accountants letter ◦ Accountants email advice • Confirm: <ul style="list-style-type: none"> ◦ That they are the applicant's Accountant and have completed the most recent / latest year's personal and/or business tax returns, where other trading entity(s) held ◦ The applicant's associated entity(s) names and ABN's to which the

Amendment number	Amendment issue date	Description of changes	
			<p>declaration applies.</p> <ul style="list-style-type: none"> ◦ Either the date the business ceased trading or that the business has never traded. • The business has no current or deferred commitments / liabilities.
		<p>Applicant is self-employed and self-employed entity is a non-trading entity or investment holding vehicle and only the tax returns for the entity are held. Financials / profit loss and balance sheets are not completed for the entity.</p> <p>Self-employed income from the non-trading entity includes the below types, where the entity may be wholly or partially owned by the applicant:</p> <ul style="list-style-type: none"> • Directors fees • Dividends • Undistributed company profit • Trust distributions • Partnership distributions 	<ul style="list-style-type: none"> • Adhere to the standards outlined in Documents standards policy: <ul style="list-style-type: none"> ◦ Accountants letter ◦ Accountants email advice • Confirm: <ul style="list-style-type: none"> ◦ That the Accountant has completed the most recent / latest year's tax returns; and ◦ Details of all ongoing liabilities the entity has; and ◦ That the entity does not trade or operate as a business in any capacity; and • That financials / profit loss & balance sheets are not prepared for the entity.
		<p>Action required</p> <p>Following the receipt of the Accountant's letter or Accountants email advice, Lenders / Assessors must in all cases:</p> <ul style="list-style-type: none"> • Verify the Accountant's or Accounting firm's tax agent / BAS agent registration status is current, using https://www.tpb.gov.au/registrations_search . Upload to OBP the search result. The Tax Practitioner Board (TPB) number may be required to perform this search, so it is preferable for the TPB Number be included on the Accountant Letter / email, however, this is not mandatory provided the registration can still be validated as current via the TPB website above. • Validate that the letter has addressed all of the above requirements. If the letter does not address all of the above criteria or when tax returns / financials for the entity are held the letter is unacceptable and cannot be used. 	

Amendment number	Amendment issue date	Description of changes
11	26 March 2023	<p>Change 1</p> <p>Section 2.1 has been updated to "Identifying and Assessing self-employed applications" – and content added from Verifying Income Chapter re-write:</p> <p>Where the applicant earns PAYG income (or other supplementary income) but also has a directorship ¹ or ABN for a business, and the applicant is not being assessed under Fast Track, Lenders / Assessors are required to identify how the applicant is related to the business and if the applicant is a director and / or shareholder. Where the applicant is a director and / or shareholder, further investigation of the business is to be completed (even where income from the business is not being used for serviceability assessment) to establish the below:</p> <ul style="list-style-type: none"> • When the applicant became a director; • The percentage of shareholding; • If the business is trading / non-trading; and • If the business is profitable or able to service its own commitments <p>¹ Where the applicant is either an Independent director or an Executive director they are not considered to be the business owner and do not need to be assessed as a self-employed applicant.</p> <ul style="list-style-type: none"> • Independent director: A director that does not have a vested interest i.e. they are not a shareholder and the directorship is not held in a business that is owned (shareholding > 0%) or controlled (directorship) by a spouse or family member (e.g. child or parent) or a subsidiary entity of the director or director's spouse / family member. • Executive director: A director that does have a vested interest (a minor % shareholding of <=5%) however limited to also being an independent PAYG employee. E.g. the CEO of Westpac is a director but also an independent PAYG employee (PAYG employee of a business that is not their own business). <p>For further information about how to investigate directorships refer to Completing ABN, business name or company searches.</p>
12	21 May 2023	<p>Change 1</p> <p>Update to "Rental income - fully verified self-employed assessment".</p> <p>Scenario table 3 and 4 updated to show where Property Expense floor will not be used in calculations as expense already captured and verified from Tax return Net Profit</p> <p>Change 2</p> <p>Throughout document, redirected references and links from 'Validation of information provided by the customer' policy chapter to 'Loan Application and Approval > Validation of information provided by the customer'.</p> <p>Housekeeping change only</p>

Amendment number	Amendment issue date	Description of changes
13	2 July 2023	Change 1 Update to “ Accountants Letter ” to simplify and re-order content to appear above the table. There has been no change to policy intent or requirements
14	20 August 2023	Change 1 Fast Track clarification Added to: Eligibility criteria – Fast track self-employed assessment <ul style="list-style-type: none"> • The ATO Notice of assessments used must be from the period of applicants self-employment. Added to: Exclusion criteria – Fast track self-employed assessment <ul style="list-style-type: none"> • ATO Notice of assessments used do not match applicants time as self-employed.
15	19 November 2023	Change 1 Complete re-write including but not limited to: <ul style="list-style-type: none"> • Changes to addbacks • Introduction of Simple Solvency Check • Changes to Exceptions to providing 2 years tax returns / financials • Definition of self-employed • Customer relationship to the entity • Defining what loan origination system and income assessment tool can be used when assessing self-employed customers under this policy.
16	19 November 2023	Chapter heading changed from Self-Employed Applicants to Self-Employed Customers
17	30 June 2024	Change 1 Clarification within the “Rental income - latest year and 2 year average methods” table. Added a note to state scenarios 3-7 must apply when the property is owned by an individual but is being accounted for in the partnership or trust return.

Attachments

[03.16 2.1.3 Company title example.pdf](#)

[03.16 Non-trading entity verified by ABN search.pdf](#)

Comment on this policy

Rate this policy



Published 30/06/2024
Date