



Credit Policy

Eligible Income

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Simple Verification Self-Employed Income

Self-employed customers derive their income from their own business.

They earn income and pay out business expenses during the year, with the difference between their income and expenses being their profit or loss.

The simple verification method can be used to extract self-employed income paid to the borrower from their individual tax returns or where the customer is paying themselves a regular salary for a minimum period of 6 months' using payslips or salary credits. Note, retained profit from the Business and addbacks cannot be used for servicing when using this method.

A minimum of 2 years trading history must be confirmed. If they have not been trading for 2 years, individual circumstances can be considered by a PCAA holder if the application is deemed creditworthy.

The 'Full verification' method must be used to verify self-employed income where additional income from the business is required to demonstrate servicing. Full and simple verification is not applicable for salaried or eligible equity1 partners in Law, Accounting and/or Consulting Firms. Refer to the "Law, Accounting and / or Consulting Firm Partner Income" policy listed under 'PAYG Salary/Wage' in the IVT. All other equity partners are to be verified using the self-employed full or simple verification methods.

| Verification Method | Documentation requirements | | Additional requirements |
|---------------------|---|---|--|
| Simple Verification | Use one of the following primary income verification options and provide one secondary supporting document: | | <ul style="list-style-type: none"> The simple verification method can be used to extract self-employed income paid to the borrower from their individual tax returns or where the customer is paying themselves a regular salary for a minimum period of 6 months' using payslips or salary credits. Note, retained profit from the Business and addbacks cannot be used for servicing when using this method. The salary must be paid on a consistent frequency (e.g. weekly, fortnightly or monthly) and must be able to be evidenced as salary from the related business entity. Where the salary is not paid on a consistent frequency or it cannot be evidenced it is from the related business entity, this verification method cannot be used. The 'Full verification' method must be used to verify self-employed income where additional/retained profits from the Business or addbacks are required to demonstrate servicing. |
| | Primary Income <ol style="list-style-type: none"> At least six months' salary credits to an account ; or Personal Tax Return from the most recent financial year along with corresponding Notice of Assessment (NOA) for individuals; or One payslip showing > six months YTD income; or One payslip showing < six months YTD income and most recent financials year PAYG Payment Summary/"Tax ready" Income Statement or Tax Return; | Secondary supporting <ol style="list-style-type: none"> A letter from the customer's accountant on company letterhead which must advise: <ul style="list-style-type: none"> the company has sufficient profits to meet the business commitments, and the business has traded profitably for the last two years; or Financials which must evidence the last 2 years profit and loss and show a profit for each year. | |

| Verification Method | Calculations |
|---------------------|---|
| Option 1 | <p>Calculate the average by totalling the six months' salary credits and dividing by the number of pay periods to obtain the average net income amount.</p> <p>Enter this amount in the net to gross calculator and use the calculated annual gross income amount in the application.</p> <p>Where the salary being paid into the customer's account is a gross figure then annualise this figure and input this figure.</p> <p>Note: Do not use the net to gross income calculator</p> <p>Note: The salary credits may be varied in the amount and actual day that it is paid, provided the pay period is clear and the frequency of the salary credits remains consistent over the required period.</p> |
| Option 2 | <p>Income is to be extracted from the Individual Tax Return as per the Simple Verification Process Guide.</p> <p>Refer: Simple verification - Process Guide and Individual Tax Return examples</p> |
| Option 3 | <p>Annualise the YTD amount from the payslip. Note: Where the customer commenced payment of regular salary/wages after 1 July of the current financial year, confirm and evidence the start date</p> |

early in the current financial year, CommBank and evidence the start date.

Option 4

Annualise the YTD amount from the payslip and use the lower of the annualised YTD amount and PAYG payment summary/'Tax ready' Income Statement/Tax return.

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