Commonwealth Bank

Credit Policy | Serviceability – Tax Deductible Benefits

Overview

Tax deductible benefits i.e. negative gearing can be applied where you have confirmed the loan is for investment purposes.

Where negative gearing is used as part of a servicing assessment, the actual interest rate at the time of application excluding any buffers must be used to calculate the tax deductible benefit.

The following are scenarios where negative gearing may be considered.

If...	Then...
Foreign income used for servicing	▶ Negative gearing can only be considered where the foreign currency income is included in the ATO returns and evidence is provided to confirm there is Australian tax payable. In all other cases, negative gearing is not to be applied to the application. ▶ Refer to the Foreign Currency Income page for further Guidance.
There is a change of purpose and your customer is purchasing a new Owner Occupied property and will be renting out their existing Owner Occupied property	▶ Negative gearing can be applied on to the existing home loan. ▶ Submit a Loan Purpose Transfer Request Form . Refer to Transfer between Home Loan and Investment Home Loan Types.
There is a change of purpose and the existing loan is a Fixed HL product and an Early Repayment Adjustment (ERA) is payable	▶ Negative gearing can be applied to the application. ▶ There is no requirement for the customer to complete a Loan Purpose Transfer form. ▶ Leave detailed comments in the application as to why the Loan Purpose Transfer form has not been completed.
The investment property is in the name of a company or trust and the application is for a non-personal borrower	▶ Negative gearing can be applied to the application (against the borrowing entity) where the property is held in the non-personal borrower's name and is currently or will be tenanted as an investment.
Any of the proposed or existing security properties are in a restricted postcode, which indicates no negative gearing can be applied for this property and they're securing an investment home loan	▶ Negative gearing cannot be applied to the proposed and/or existing investment home loan that is secured by the property that is in the restricted postcode. Note: The system will not allow negative gearing on the whole application, however, Credit can consider applying negative gearing on other loan/s that are secured by non-postcode restricted properties. ▶ Refer to Postcode Lookup Tool
The application has a FHOG feature selected on an owner occupied purchase and the borrower has an existing investment property	▶ The system will not allow negative gearing or the use of rental income on the application, however, Credit can apply negative gearing/or rental income where there is an existing investment home loan that is secured by an investment property.
Your customer is purchasing vacant land and there is a related construction loan for investment	▶ Negative gearing can be applied to the application with the proposed construction loan.

Unacceptable Scenarios

Tax deductible benefits i.e. negative gearing is not available where:

▶ The purpose is for the purchase of vacant land and/or cash out related to a purchase of vacant land. This includes the purchase of vacant land for investment.

▶ The cash out purpose is not verified i.e., for personal investment, purchase of shares etc. (unless evidence is provided e.g. letter from financial planner etc).

▶ You are not using rental income for the investment property.

▶ The base LVR for the proposed and/or existing investment loan is greater than 95% (for P&I loans) and 90% (for IO loans). Note: Where an investment property is linked to an existing home loan and is not in a restricted postcode, Credit can consider the use of negative gearing for that loan. Refer to the Postcode Lookup Tool for further guidance.