Self-employed borrowers.

How your business structure shapes what a lender can read, and what you need to provide.

Lenders assess self-employed income differently to a salary. A payslip states what you earn; a business tells a lender what is left after everything the business has paid for. How much is left — and whose income it legally is — depends on how the business is structured.

Two business owners with identical earnings can present very differently to a credit assessor. This sheet explains how each structure is read, what documents are usually required, where GST registration matters, and the difference between a full doc and an alt doc (low doc) application.

Why your structure matters

A sole trader and a partnership are not separate from the people behind them for income purposes — the profit is the owner's income, and it appears in their personal tax return. A company or trust is a separate entity. Its profit belongs to the entity until it is paid out as wages or distributions, which means a lender has to work out which part of it is genuinely available to you.

That distinction drives three things: which figures count as your income, which documents a lender needs to see, and how much explaining the application requires. Each structure is read differently, and the file needs to be prepared accordingly.

How lenders read each structure

Sole trader	The business profit is your income. A lender works from your individual tax return and notice of assessment, using net profit rather than turnover. Because there is no separation between you and the business, business debts are generally counted as your liabilities.
Partnership	Each partner is assessed on their share of the partnership profit, as set out in the partnership tax return and flowing through to their individual return. A lender will want to see the partnership position as well as yours, and will usually count partnership liabilities in proportion to your share.
Company	The company is a separate taxpayer. Your income is typically the wages the company pays you plus, where you are the sole or majority shareholder, your share of the company's net profit. Retained profit left in the company may or may not be counted, depending on the lender and your shareholding. Company debts may be excluded from your position where the business clearly services them — that needs evidence, and not every lender allows it.
Trust	Income is assessed on the distributions made to you, as shown in the trust tax return and your individual return. Distributions made to other beneficiaries — a spouse, adult children, or a corporate beneficiary — are generally not treated as your income unless those beneficiaries are also part of the application. Trust structures carry the heaviest documentation load, because the deed itself has to be reviewed.

Documents usually required	
Every structure	Identification, your ABN and how long it has been held, GST registration details where applicable, and recent business bank statements. Most lenders look for at least two years of trading history, though some will consider less where industry experience is clear. ATO portal statements are required for every entity in the application — the integrated client account and, where relevant, the activity statement account. They confirm that lodgements are current and show any outstanding tax debt or payment arrangement. Expect to provide them whatever the structure.
Sole trader	Individual tax returns and ATO notices of assessment, usually for the two most recent financial years. BAS may be requested where the most recent year is not yet lodged.
Partnership	Partnership tax returns and financial statements for two years, plus individual tax returns and notices of assessment for each partner who is part of the application.
Company	Company tax returns and financial statements — profit and loss and balance sheet — for two years, plus your individual returns and notices of assessment. An ASIC company extract is often required to confirm directors and shareholdings.
Trust	Trust tax returns and financial statements for two years, a certified copy of the trust deed including any amendments, and your individual returns and notices of assessment. Where there is a corporate trustee, that company's returns and an ASIC extract are usually required as well.

How serviceability is worked out	
Which year counts	Where income has grown sharply, many lenders use the lower year or an average of the two rather than the most recent figure. Where income has fallen, the most recent year generally applies. A strong latest year does not automatically become the assessment figure.
Add-backs	Some expenses reduce taxable profit without reducing the cash available to you, and can be added back. Depreciation, additional superannuation contributions, one-off or non-recurring costs, and interest on debt being refinanced are commonly accepted. Which add-backs a lender allows, and what evidence they want, varies — this is often where the same figures produce different servicing outcomes.
Business debt	Where the business carries its own debt, a lender may exclude it from your personal position if the business services it from its own cashflow and the financials support that. Without that evidence, the debt is counted against you.
Wages and distributions	Where you control the entity, a lender will usually look past the wages or distributions you have chosen to take and consider the underlying profit. A modest drawn wage does not always mean modest assessable income — but it does need explaining.

ATO debt

This is the single biggest constraint on self-employed lending, and it is not simply a disclosure item. Most lenders read an outstanding ATO debt as confirmation that the business is not generating enough profit to meet its own obligations, and will decline on that basis — a payment arrangement does not remove the issue.

A limited number of lenders will refinance or pay out ATO debt as part of a loan, and they price materially above the mainstream. Where that is the right path, the cost of the facility has to be weighed against what clearing the debt makes possible.

Raise it with us at the outset. It determines which lenders are worth approaching at all, and it surfaces during assessment regardless.

Where GST registration fits

The registration threshold	Registration is generally required once annual turnover reaches $75,000, and some industries must register regardless of turnover. Whether you are registered tells a lender something about the scale of the business before they read a single figure.
Evidence of trading history	The GST registration date is often used alongside the ABN registration date to establish how long the business has genuinely been trading. Where an ABN was registered well before trading began, the GST date can be the more useful marker.
BAS as verification	Business activity statements are the backbone of most alt doc applications. If you are not registered for GST you do not lodge BAS, which removes one of the main verification options and makes business bank statements or an accountant's declaration more important.
Turnover is read excluding GST	Figures used for lending purposes are GST-exclusive. Turnover stated inclusive of GST overstates the position, and the correction usually surfaces at assessment.
Lodgements need to be current	Overdue BAS lodgements are a common cause of delay, particularly on alt doc applications where the BAS is the income evidence. Bringing lodgements up to date before applying is one of the more useful things you can do.

Full doc and alt doc

Full doc	The standard path. Two years of lodged tax returns and notices of assessment, plus financial statements where an entity is involved. It gives the widest range of lenders, the sharpest pricing, and the highest loan-to-value ratios.
Alt doc, or low doc	For borrowers whose business is trading well but whose tax returns do not yet show it — most often because the latest financial year is not lodged. Income is declared by you and supported by alternative evidence: typically BAS for the last six to twelve months, business bank statements, an accountant's declaration, or a combination. Most lenders require an ABN held for around two years and current GST registration.

Full doc and alt doc

What alt doc is not	It is not a way to avoid verifying income, and it is not a no-documentation loan. Responsible lending obligations apply either way — the evidence is simply drawn from a different source. If the declared income is not consistent with the supporting documents, the application does not proceed.
The trade-offs	Alt doc pricing sits above full doc, loan-to-value ratios are usually capped lower — 80% is common — and a risk fee may apply where mortgage insurance is involved. Fewer lenders offer it, and their policies differ more than they do on full doc lending, so lender selection carries more weight.
Choosing between them	Where returns are lodged and the figures support the loan, full doc is almost always the better outcome. Alt doc is worth considering where lodgement timing, a recent change in the business, or a structure that reads poorly on paper would otherwise hold up a purchase that cannot wait.

Before you apply

- Keep tax lodgements and BAS current. More self-employed applications are delayed by outstanding lodgements than by anything to do with the figures themselves.
- Talk to us before restructuring. A change of entity usually resets the trading history a lender can see, and the lending consequences are easier to plan around than to unwind.
- Keep business and personal accounts separate. Mixed accounts make bank statement verification slower and harder to defend.
- Raise any ATO debt or payment arrangement before anything else. It shapes the whole application, including which lenders can be approached and what the loan will cost.
- Expect questions about the structure rather than about you. A clear explanation of how the entities relate to each other is often worth more to a credit assessor than another year of figures.

Important

Important: This is general information about how lenders assess self-employed income. Lender policies differ, and the figures and timeframes described here are typical rather than universal. We do not provide tax or structuring advice — decisions about which entity to trade through should be made with your accountant. What we can do is tell you how a given structure will be read by a lender before you commit to it.

Need help with anything?

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