
CHAPTER TWO - HOME LOAN FACT SHEET

Income

Not all income is treated equally by lenders. Here's what counts, what doesn't, and how lenders typically work it out.

The income types lenders consider

Different lenders view different income types differently, depending on their risk appetite and policies (which they update regularly). Here's the landscape.

PAYG Employment Salary and wages. Full time, part time, and casual.	Self-Employed Sole trader, partnerships, trusts, and companies.	Additional Eligible Income Investment income, rental income, government benefits and pensions, family tax benefits, carer's allowances, child support.
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PAYG full time

The classic structure is a salary based on a 38-hour week, 76-hour fortnight, or 164.66-hour month. The standard way to verify your income is by providing two recent payslips.

On top of base salary, lenders will assess additional eligible income — but how much they accept varies by income type.

How additional income is treated

Allowances	Common in emergency and frontline services. Because they're regular and ongoing, most lenders accept the full amount.
Overtime	Most lenders apply a discount to eligible overtime, though some will accept it in full. Worth knowing which lender does what.
Bonus	Typically requires two consecutive years of bonus history before it can be considered, and most lenders apply a discount to the eligible amount.
Commission	Treated similarly to bonus income — most lenders apply a discount, though acceptance and treatment vary.

WHY THIS MATTERS

Verification methods vary lender by lender. It's worth a chat with a broker to make sure every dollar of your regular, ongoing income is being properly considered in your application.

PAYG part time

Part-time arrangements are diverse and specific to the individual, which makes verification a bit more involved. Two common scenarios:

Basic scenario — fixed roster

You're a 0.8 full-time employee, the roster doesn't deviate, and your base wage is multiplied evenly to give your annual income. That's what gets noted on the application.

Intermediate scenario — minimum hours plus extras

You've got a minimum number of hours (say 20) but you regularly pick up extras — weekends, sick cover, peak periods. This is case-by-case. If you can show evidence the extra hours are regular and ongoing, lenders will consider them.

PAYG casual

Casual employment eligibility varies. Some lenders require a minimum of six months with the same employer; others will accept less than six months as long as you've had continuous employment over a six-month period.

How is annual income calculated?

- Bank statements covering income credits
- A payslip confirming your gross year-to-date income
- Most recent tax return, PAYG payment summary, or ATO tax-ready income statement

WATCH OUT

If you don't receive annual or sick leave, lenders will treat you as casual — even if your employer calls you something else.

Self-employed income

Banks want to see a sustained income over at least two years before they're confident you can service a loan. Self-employed income fluctuates by industry, season, experience, and structure, so lenders typically want to see a minimum two-year history.

What lenders take into consideration

- How long you've been self-employed and how long the ABN has been registered
- What financials have been completed and what verification you can provide
- Profitability of the business and its commitments

Traditional documents required

- Individual tax returns
- Tax assessment notice
- Company profit and loss
- Company tax return
- Trust tax returns

If those aren't available, there's an increasing number of lenders offering **low-doc lending**. Instead of tax returns, you provide income declaration forms, BAS statements, or business bank statements.

FUN FACT

Some lenders will accept your most recent year's financials in isolation — brilliant for small business owners coming off a strong growth year. (GST registration required once turnover hits \$75,000+, or \$150,000+ for non-profits.)

Got a question this raises?

Every situation is different. Book a free, no-obligation chat with Jonny and let's walk through your numbers.

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