The Self-Employed

Home Loan Playbook

How to Get Approved Without

2 Years of Tax Returns

For sole traders, contractors and business owners

By the team at Loan Experts · 2026 Edition

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Everything self-employed borrowers need to know to get approved — without 2 years of tax returns.

Most self-employed Australians assume they need two full years of tax returns before they can even apply for a home loan. In reality, a growing number of lenders now accept alternative evidence of income — and understand how to read business financials properly. This guide walks through exactly how self-employed income is assessed, the documents that matter most, and the mistakes that cause good applicants to be declined.

No. 1

Why 2 Years of Tax Returns Isn't Always Required

Alternative documentation has become mainstream

For years, the standard requirement was two full years of tax returns and Notices of Assessment before a lender would consider a self-employed applicant. While many lenders still prefer this, a growing number now accept alternative evidence — particularly useful if your most recent year was your strongest, or if you have only recently become self-employed.

Alternative evidence can include 12 months of business bank statements, BAS (Business Activity Statements) for the last 2 quarters, or an accountant's letter confirming your income. Each lender treats these differently — some require only 1 year of tax returns if paired with 6 months of trading history, while others have genuine low-doc products requiring no tax returns at all.

- Many lenders now accept just 1 year of tax returns + NOA
- 12 months of business bank statements can substitute for tax returns entirely
- An accountant's letter declaration is accepted by several major lenders
- Newly self-employed (6–12 months) can still qualify with the right lender

★ Expert Tip

The lender you choose matters more than your paperwork. We know exactly which lenders will accept your specific situation — saving you from being declined by the wrong one first.

No. 2

Low-Doc and Alt-Doc Loans Explained

Two very different products — know which one you need

Low-doc loans were historically associated with higher rates and higher risk, but the market has matured significantly. Today's low-doc products from established lenders are far more competitive, provided you can demonstrate genuine, verifiable income through alternative means.

Alt-doc (alternative documentation) loans sit between full-doc and low-doc — they still require evidence of income, just not traditional tax returns. The right product depends entirely on your situation: how long you have been trading, how consistent your income is, and how much deposit you have.

Low-doc vs full-doc loans — what to expect:

Full-doc (2yrs tax returns)

100%

Alt-doc (bank statements/BAS)

85%

Low-doc (accountant letter)

70%

No-doc / asset lend (rare, high LVR)

45%

* Approx % of mainstream lender rate access by documentation type

★ Expert Tip

Low-doc does not have to mean a worse deal. With the right structure and deposit, rates can be very close to standard full-doc loans.

No.
3

How Lenders Actually Assess Business Income

It's rarely as simple as your tax return's bottom line

Lenders do not simply take the net profit figure from your tax return at face value. They typically average your income across the last 1–2 years (using the lower figure if there is a large gap), and they look closely at whether your income is trending up or down — a declining business raises red flags regardless of the absolute numbers.

How your business is structured also matters enormously. Sole traders, partnerships, companies and trusts are all assessed differently. If you operate through a company, lenders generally look at your share of net profit plus your wages — not just your personal salary — provided you have a controlling interest in the business.

- Sole trader: net profit from your tax return is the primary figure used
- Company structure: your wages PLUS your share of retained profit may count
- Trust structure: distributions to you personally are assessed
- Year-on-year income trend matters as much as the raw figures

★ Expert Tip

If you operate through a company or trust, the way income flows to you personally significantly affects what a lender will count. We review your structure before recommending a lender.

No. 4

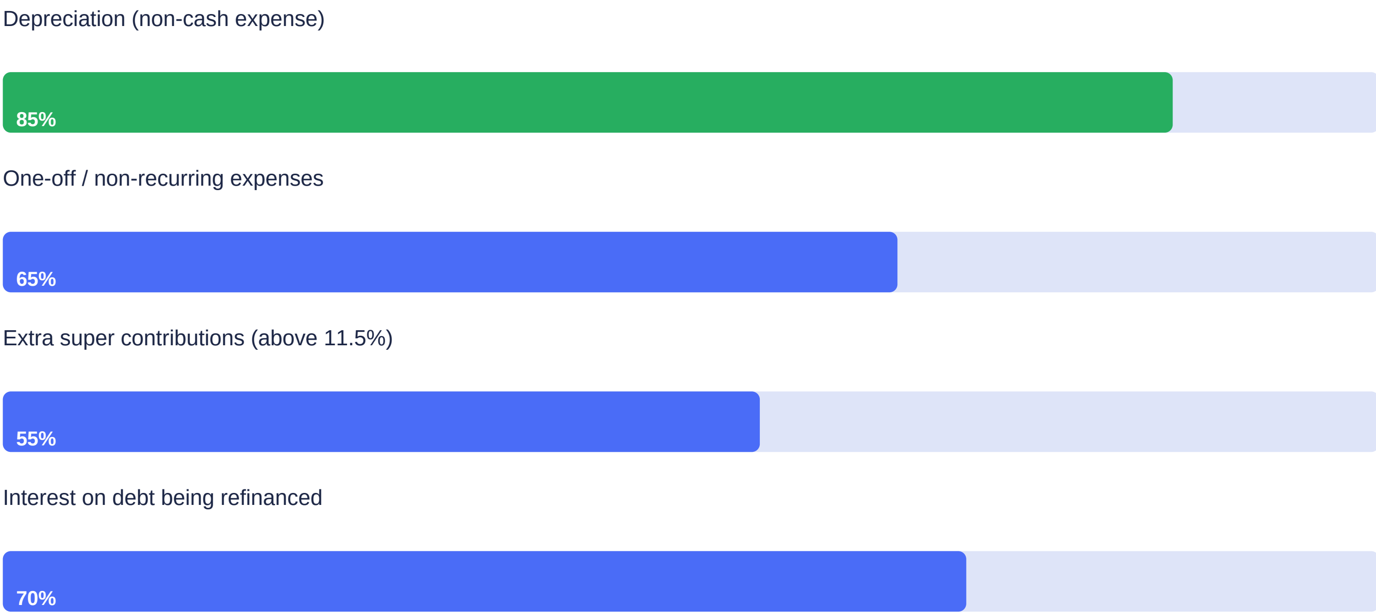
Add-Backs: The Income Boost Most Accountants Miss

Non-cash and one-off expenses can boost your assessable income

Many self-employed applicants under-report their true serviceability because their accountant has structured the business to minimise tax — which is smart for tax purposes, but can work against you when applying for a home loan. The good news: many lenders allow certain expenses to be 'added back' to your declared income for serviceability purposes.

Common add-backs include depreciation (a non-cash expense), one-off or non-recurring costs, extra superannuation contributions above the compulsory rate, and interest on debts being refinanced or paid out as part of the purchase. Each of these can be added back to your net profit figure, sometimes significantly increasing your assessable income.

Common add-backs that increase assessable income:



* Relative frequency these add-backs apply across self-employed applications

> ★ **Expert Tip**
>
> Ask your accountant to prepare a profit & loss statement that clearly itemises potential add-backs. This single document can materially change what you are able to borrow.

No.
5

Your Business Structure Changes Everything

The same income can be assessed very differently depending on structure

Two business owners earning identical income can receive very different loan approvals purely because of how their business is legally structured. Sole traders have the most straightforward assessment — net profit is net profit. Company and trust structures introduce additional complexity that catches many applicants off guard.

If you are a director of a company but only draw a modest wage while leaving profit in the business, some lenders will only count your wage — substantially understating your true income. Other lenders will assess your full ownership share of net profit. Choosing the right lender for your specific structure can be the difference between approval and decline.

- Sole trader: simplest assessment, net profit drives your borrowing capacity
- Partnership: your share of partnership profit is assessed, not the total
- Company (you are a director + shareholder): wages + your % of net profit
- Trust: distributions made to you personally — consistency matters
- Multiple related entities: lenders may consolidate income across them

★ Expert Tip

If you are restructuring your business or considering a new structure, talk to us before you do — the impact on your future borrowing capacity can be significant either way.

No. 6

7 Mistakes That Get Self-Employed Applications Declined

Avoid these before you apply

Self-employed applications are more likely to be declined than PAYG applications — not because self-employed people are higher risk, but because the application is more complex and small mistakes compound quickly. Most of these mistakes are entirely avoidable with the right preparation.

- Applying to a lender that does not accept your specific structure or industry
- Inconsistent income reporting between BAS, tax returns and bank statements
- Large, unexplained cash deposits that cannot be verified as business income
- Mixing personal and business expenses through the same account
- Not having an up-to-date accountant's letter or financials ready
- Applying for finance during a period of declining year-on-year revenue
- Underestimating how much GST and tax provisions reduce available cash flow

★ Expert Tip

Before applying, ensure your BAS, tax returns and bank statements all tell a consistent story. Discrepancies — even innocent ones — are the single biggest reason for delays and declines.

No. 7

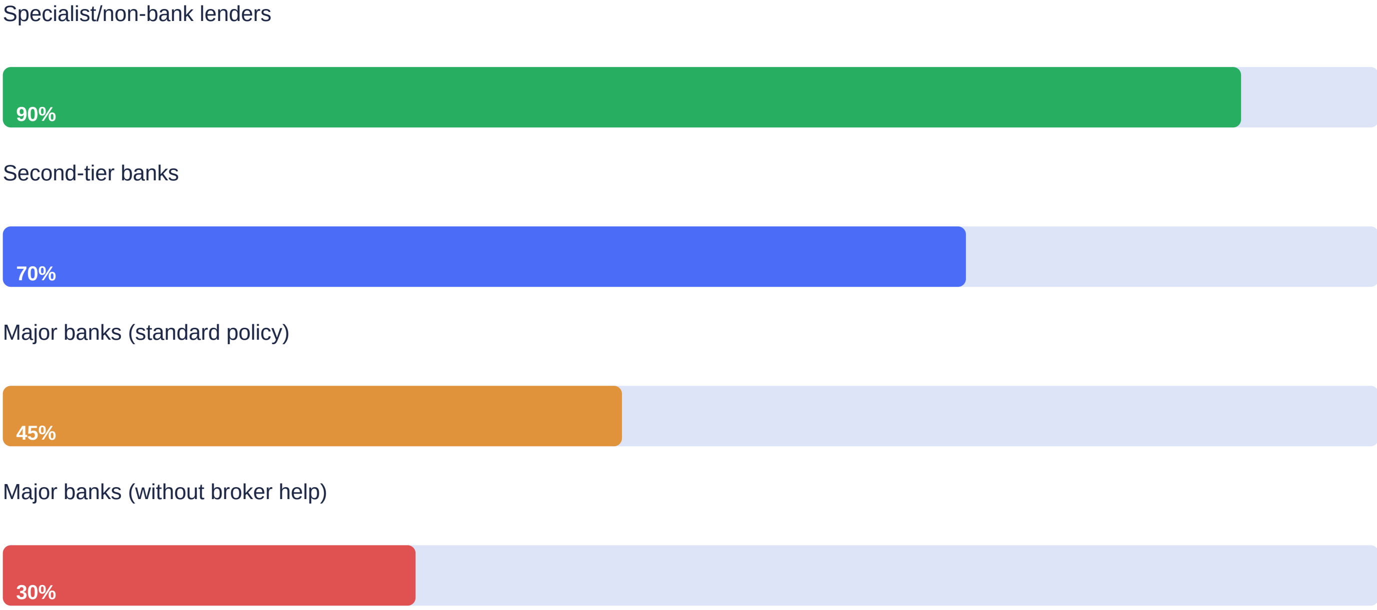
Finding Lenders Who Understand Self-Employed Income

Not all lenders are equally self-employed-friendly

Mainstream bank credit policies are largely built around PAYG employees, and many assessors are simply less experienced reading business financials. This means identical self-employed applications can be approved by one lender and declined by another — purely based on how well-equipped that lender is to understand non-standard income.

Specialist and non-bank lenders often have dedicated self-employed credit policies, more experienced assessors, and genuine low-doc products. The right broker will know which lenders are currently most flexible for your specific industry, structure and income pattern — this changes regularly as lender risk appetites shift.

Lender flexibility for self-employed applicants (illustrative):



* Relative approval likelihood for complex self-employed scenarios

> ★ **Expert Tip**
>
> We compare 40+ lenders and know exactly which ones are currently most flexible for self-employed applicants in your industry. One declined application can be avoided entirely with the right match.

No. 8

How a Broker Gets Self-Employed Applications Approved

Compare 40+ lenders — matched to your structure, first time

Each of the 7 factors in this guide can be addressed before you lodge a single application. A mortgage broker who specialises in self-employed lending reviews your full financial picture — structure, add-backs, trading history and documentation — then matches you to the lender most likely to say yes the first time.

Prepare an accountant's letter

Confirms income & business viability

Match the right lender

Each treats self-employed income differently

Identify all add-backs

Boosts your assessable income

Choose full-doc, alt-doc or low-doc

Based on your trading history

Reconcile BAS & bank statements

Removes red flags before applying

Time your application correctly

Avoid periods of declining revenue

Review your business structure

Confirms how income will be assessed

One clean application

No credit damage from multiple declines

★ Book Your Free Assessment

Every business is different. Book a free assessment with Loan Experts and we will review your structure, identify every add-back available to you, and match you to the lender most likely to approve your application the first time.

Your Self-Employed Application Self-Check

Review each item below and tick where you currently stand before applying.

- [ ] **Tax returns**
  I have 1–2 years of tax returns and Notices of Assessment ready
- [ ] **Alt-doc evidence**
  I have 12 months of business bank statements as backup evidence
- [ ] **BAS statements**
  My last 4 quarters of BAS are lodged and match my bank statements
- [ ] **Add-backs**
  My accountant has prepared a P&L with all eligible add-backs noted
- [ ] **Business structure**
  I understand how my structure affects my assessable income
- [ ] **Account separation**
  My personal and business expenses are in separate accounts
- [ ] **Income trend**
  My last 2 years show stable or growing revenue, not declining

Not sure which documents you need? We will tell you — free.

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Ready to Get Your Self-Employed Loan Approved?

We compare 40+ lenders to find the right fit for your business.

No cost. No obligation. No impact on your credit score.

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