



I haven't paid my tax for four years and it's such a huge job to find all the information, I just keep ignoring it. Can I still apply for a mortgage without doing a tax return?

Generally when you apply for a mortgage, the lender requires proof of your income to assist with their assessment of your ability to repay. Lenders usually verify income by obtaining copies of your most recent income tax returns and assessments from the Australian Taxation Office (ATO).

However, where a borrower such as yourself hasn't prepared a return for a few years, a lender may accept proof of income via copies of your PAYG payment summaries, payslips or bank statements.

Another option for you would be to apply for a low documentation ("low-doc") loan. For this type of loan you won't need to provide as many documents to prove your financial position other than a self-verification letter of your income.

However as you are not able to provide many documents, there are a number of restrictions associated with "low-doc" loans that you should be aware of including:

- paying a higher interest rate;
- paying additional fees and charges including risk fees and mortgage indemnity insurance;
- lenders will restrict borrowing to no more than 70% of the purchase price; and
- the term of the loan may be less than traditional loans which may result in additional re-financing costs.

The ATO are currently investigating those that have "low-doc" loans because they may have a lot of income that is not being declared. If you are avoiding tax, then you are at risk of getting caught with heavy penalties imposed.

In any instance, I recommend that you get your tax returns lodged as soon as possible as you may have some refunds owing to you which will reduce the amount that you need to borrow. If you have a net payable, the longer that you leave lodgement, then the higher the penalties may be.