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HOW TO GET A HOME LOAN WITH AN ATO TAX DEBT

If you have a tax debt, it doesn't mean you can't be approved for a home loan. Here's what you need to know about borrowing to buy property when you owe money to the Australian taxation office (ATO).

While having an ATO debt is not ideal, this doesn't disqualify you from borrowing money for a home loan. In fact, there are several steps you can take to consolidate your tax debt in order to get the finance you need.

CAN I GET A HOME LOAN IF I HAVE A TAX DEBT?

When you apply for a home loan, you need to give the lender a complete picture of your financial situation. Lenders will then use this information to assess your borrowing capability and whether or not you have the capacity to keep up to date with your home loan repayments.

The size of your tax debt and your history of repaying the debt will be crucial factors that a lender will consider when reviewing your application. One option worth considering is refinancing your tax debt and combining it with the new home loan you take out. While Australian banks are highly unlikely to allow you to refinance your debt to the ATO, there are many non-bank lenders in the market who will be able to help.

They will take into account the reason for your tax debt and the steps you have taken to repay it when deciding whether or not to offer you a loan.

HOW TO GET APPROVED FOR A LOAN

Each lender has its own approach to risk that borrowers must satisfy in order to be approved for a loan. However, there are several steps you can take to improve your chances of getting approved for a loan:

- **Provide evidence of income.** From pay slips and bank statements to business activity statements, you'll need to supply proof of income to your lender so that your propensity to repay the loan can be evaluated.
- **Manage your debt.** If you have a tax debt in your name, the lender will assess what steps you are taking to pay off the money you owe. Have you set up a payment plan with the ATO and made regular instalments over a period of six months or more.
- **Provide explanation for your tax debt.** There are several reasons why you may have ended up with a tax debt: perhaps you made an error on your return, maybe you were late lodging your return, or you may have incurred a large capital gains tax bill. You'll need to provide the lender with a reason for your tax debt, and this reason may affect its decision to offer you financing.
- **Try to stay out of court.** If you have a history of missing repayments or if you have failed to communicate effectively with the tax office, the ATO may launch legal action against you. Make sure you liaise with the ATO every step of the way to avoid legal action.

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TIPS FOR PAYING OFF TAX DEBT

Keep the following tips in mind to ensure that you repay your tax debt to the ATO as quickly as possible:

- **Stay in touch with the ATO.** It can be tempting to ignore repayment notices and correspondence related to your tax debt, but this will only lead to more financial pain. You or your accountant will need to keep in regular touch with the ATO and respond to any requests for information as quickly as possible.
- **Set up a payment plan.** Set up a payment plan with the ATO to help you pay off your debt at an affordable rate. Do everything you reasonably can to make sure that you pay your regular instalments on time.
- **Listen to your accountant.** You pay your tax accountant for advice, so listen to what they say.
- **Consider refinancing.** While banks are reluctant to refinance tax debt, there are several other lenders who can help. Consider the refinancing options available to find one that will allow you to consolidate your debt into an affordable loan.

SEEK EXPERT HELP FROM US

At M Point Finance we have helped a number of clients repay their tax debt by undertaking a re-finance. These applications only suit certain lenders and we have the knowledge and expertise to ensure that tax debt does not impact your approval. Chat to us about how we can extinguish that ATO debt for you.