Status: **legally binding**

Product Ruling

Mortgage House Blended Plus Loan Facility

Relying on this Ruling

This publication (excluding appendix) is a public ruling for the purposes of the *Taxation Administration Act 1953*.

If this Ruling applies to you, and you correctly rely on it, we will apply the law to you in the way set out in this Ruling. That is, you will not pay any more tax or penalties or interest in respect of the matters covered by this Ruling.

Terms of use of this Ruling

This Ruling has been given on the basis that the entity who applied for the Ruling, and their associates, will abide by strict terms of use. Any failure to comply with the terms of use may lead to the withdrawal of this Ruling.

Changes in the law

Product Rulings were introduced for the purpose of providing certainty about tax consequences for entities in schemes such as this. In keeping with that intention, the Commissioner suggests promoters and advisers ensure that participants are fully informed of any legislative changes after the Ruling has issued. Similarly, entities that are considering participating in the Scheme are advised to confirm with their tax adviser that changes in the law have not affected this Ruling since it was issued.

No guarantee of commercial success

The Commissioner does not sanction or guarantee this product. Further, the Commissioner gives no assurance that the product is commercially viable, that charges are reasonable, appropriate or represent industry norms, or that projected returns will be achieved or are reasonably based.

Potential participants must form their own view about the commercial and financial viability of the product. The Commissioner recommends a financial (or other) adviser be consulted for such information.

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What this Ruling is about

1. This Ruling sets out the income tax consequences for entities that participate as a borrower in a Blended Plus Loan Facility, marketed as the Mortgage House Blended Plus Loan Facility.

2. All legislative references in this Ruling are to the *Income Tax Assessment Act 1936*, unless otherwise indicated.

3. The scheme involves the application of a customer loyalty rebate to calculate a discounted interest rate that is charged by Mortgage House Capital Funding No. 1 Pty Ltd, Well Nigh Capital Funding No 1 Pty Ltd, Mortgage Street Capital Funding Pty Ltd and RM Funding Capital Pty Ltd (collectively referred to as Mortgage House) on a home loan of a borrower who (directly or indirectly via an associated entity) also has one or more investment loans or commercial loans with Mortgage House.

4. This Ruling does not address:

- the tax consequences associated with the home loan of the borrower or with any offset account linked to a loan of the borrower
- the deductibility of interest incurred by the borrower under their investment or commercial loan pursuant to section 8-1 of the *Income Tax Assessment Act 1997* (ITAA 1997)[1]
- the tax treatment of any costs, fees and expenses payable by the borrower in respect of a loan
- the tax consequences for the borrower in relation to the acquisition, holding and sale of a property or any other asset acquired with the proceeds of their investment or commercial loan, and
- whether the scheme constitutes a financial arrangement for the purposes of Division 230 of the ITAA 1997 (taxation of financial arrangements).

Who this Ruling applies to

5. This Ruling applies to you if you enter into the scheme described in paragraphs 11 to 27 of this Ruling, as the borrower, on or after 1 July 2026 and on or before 30 June 2029.[2]

6. This Ruling does not apply to you if you:

- are a non-resident for Australian tax purposes, or
- enter into the scheme described in paragraphs 11 to 27 of this Ruling, as the borrower, before 1 July 2026 or after 30 June 2029.

Date of effect

7. This Ruling applies from 1 July 2026 to a borrower specified in paragraph 5 of this Ruling that enters into the Blended Plus Loan Facility from 1 July 2026 until 30 June 2029.

8. However, the Ruling only applies and may be relied on to the extent that there is no change in the scheme or in the borrower's involvement in the scheme. If the scheme carried out is materially different from the scheme described at paragraphs 11 to 27 of this Ruling, this Ruling cannot be relied upon and may be withdrawn or modified.

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[1] For the purposes of this Ruling, it is assumed at subparagraph 10(b) and (c) of this Ruling that interest incurred by the borrower under their investment or commercial loan, as applicable, is deductible under section 8-1 of the ITAA 1997.

[2] Where the borrower under the investment or commercial loan is an associate of the borrower under the home loan, all references to the borrower under this Ruling are to be read as a reference to the applicable borrower under either loan, as the context requires. Where used in this Ruling, the word 'associate' has the meaning given in section 318.

Status: **legally binding**

Ruling

9. The application of Part IVA depends on a careful weighing of all the relevant facts and circumstances of each case. Provided the scheme ruled on is entered into and carried out as described in this Ruling, the anti-avoidance provisions in Part IVA will not apply to deny the borrower any deduction allowable under section 8-1 of the ITAA 1997 for interest incurred on their investment or commercial loan, as applicable.

Assumptions

10. This Ruling is made on the basis of the following necessary assumptions:

(a) The borrower is an Australian resident for tax purposes.

(b) The investment loan, if applicable, is used to acquire or refinance an asset held by the borrower for the purposes of gaining or producing assessable income and the interest incurred by the borrower under that loan is deductible from their assessable income pursuant to section 8-1 of the ITAA 1997.

(c) The commercial loan, if applicable, is used to acquire or refinance an asset, or provide a facility, held or used by the borrower in carrying on a business for the purpose of gaining or producing assessable income and the interest incurred by the borrower under that loan is deductible from their assessable income pursuant to section 8-1 of the ITAA 1997.

(d) The borrower does not draw-down on a line of credit to pay the interest on the investment loan or commercial loan.

(e) All dealings between the borrower and Mortgage House is at arm's length.

(f) The Scheme will be executed in the manner described in the Scheme section of this Ruling.

Scheme

11. The scheme is identified and described in the application for a product ruling as constituted by documents and information received on 18 May 2026, 29 June 2026 and 8 July 2026.

Note: certain information has been provided on a commercial-in-confidence basis and will not be disclosed or released under freedom of information legislation.

12. For the purposes of describing the scheme, and aside from the relevant loan documentation to be executed between the borrower and Mortgage House, there are no other agreements (whether formal or informal, and whether or not legally enforceable) which a borrower, or any associate of a borrower, will be a party to which are a part of the scheme.

13. All Australian Securities and Investments Commission requirements are, or will be, complied with for the term of the agreements.

Status: **legally binding**

Overview of scheme

14. The Blended Plus Loan Facility is a facility under which Mortgage House applies a customer loyalty rebate in recognition of the borrower's broader loan portfolio. Mortgage House offers this by calculating on an ongoing basis a level of discount that can be applied to a borrower's home loan interest rate against the standard variable home loan rate, while maintaining a total return on all money loaned to the borrower at a rate which produces an acceptable return for Mortgage House.

15. Mortgage House will arrange for new loans or refinance existing loans under the terms of the Blended Plus Loan Facility offered to a borrower. The borrower has or will procure both a home loan in respect of a residential property that is their principal place of residence (owner-occupied property) and (directly or indirectly via an entity that is an associate of the borrower) one or more:

- investment loans used to fund an asset (investment asset) acquired for the purposes of producing assessable income, or
- commercial loans used to fund an asset or facility (business asset) acquired in carrying on a business for the purposes of gaining or producing assessable income.

16. The investment asset may be a residential property other than the owner-occupied property, or any other asset. The business asset may be a commercial property, or any other asset or facility used in the carrying on of a business.

17. The home loan will be secured by the underlying owner-occupied property. The principal borrowed under that home loan will be capped at 95% of the value of the owner-occupied property (with lenders mortgage insurance applying for home loans where the principal borrowed is above 80% of the value of the owner-occupied property).

18. Where the investment asset is a residential property, the investment loan will be secured by that property. The principal borrowed under that investment loan will be capped at 90% of the value of the residential property (with lenders mortgage insurance applying for investment loans where the principal borrowed is above 80% of the value of the residential property).

19. Where the business asset is a commercial property, the commercial loan will be secured by that property, or by another asset or property owned by the borrower (or an entity that is an associate of the borrower). The principal borrowed under that commercial loan will be capped at 80% of the value of the commercial property.

20. The loans may be procured by the borrower under full documentation (full doc) lending criteria or alternative documentation (alt doc) lending criteria. Generally speaking:

- full doc lending criteria refers to the verification of the borrower's income and financial position to determine their ability to service a loan using standard, traditional evidentiary requirements, and
- alt doc lending criteria refers to the verification of the borrower's income and financial position to determine their ability to service a loan using alternative evidence acceptable to Mortgage House (because the borrower is unable to have their income and financial position verified through conventional means).

21. Mortgage House will automatically apply a re-calculated interest rate to a borrower's home loan where:

- Mortgage House varies its acceptable return

- any of the borrower’s home loan, investment loan or commercial loan is substantially repaid, or
- a new or refinanced loan is advanced.

22. Subject to the occurrence of any of the factors listed in paragraph 21 of this Ruling, a discounted interest rate on a borrower’s home loan, as calculated under the Blended Plus Loan Facility, will be applied for 3 months, following which the borrower’s loan portfolio with Mortgage House will be reviewed and may result in a further home loan interest rate adjustment.

23. Except for the discounted interest rate (which is subject to a floor rate of 0.75% above the Reserve Bank of Australia (RBA) cash rate for full doc home loans and 1.25% above the RBA cash rate for alt doc home loans), home loans subject to the Blended Plus Loan Facility will be offered, struck and maintained on standard terms offered by Mortgage House in all respects. Any part of the customer loyalty rebate that would otherwise entitle the borrower to a discounted home loan interest rate that is lower than the applicable floor rate would instead be applied to lower the borrower’s investment or commercial loan interest rate, as applicable.

24. Except for what is contemplated in paragraph 23 of this Ruling, the borrower’s investment or commercial loan will not be impacted by the Blended Plus Loan Facility and will remain on standard terms offered by Mortgage House in all respects (subject to a ceiling on the rate of interest charged above the RBA cash rate[3]). The ceiling on the rate of interest is reviewed on a monthly basis against the market and, as at 12 August 2026, is set at:

- 3.09% above the RBA cash rate for full doc investment loans
- 3.59% above the RBA cash rate for alt doc investment loans
- 4.19% above the RBA cash rate for full doc commercial loans, and
- 4.69% above the RBA cash rate for alt doc commercial loans.

25. Except for what is contemplated in paragraph 23 of this Ruling, the Blended Plus Loan Facility does not apply a recalculated interest rate to a borrower’s investment or commercial loan. **A borrower cannot rely on the Ruling section of this Ruling if the interest rate charged on the borrower’s investment or commercial loan increases as a result of, or in connection with, a discount of the interest rate applied to the borrower’s home loan**.

26. The Blended Plus Loan Facility does not allow for the interest rate charged on a new or refinanced investment or commercial loan to a borrower (as the case may be) to be either a leading rate[4] or higher than Mortgage House's standard variable rate for that particular type of loan[5] (even where Mortgage House's standard variable rate for that type of loan is lower than the ceiling referred to in paragraph 24 of this Ruling). **A borrower**

[3] Notwithstanding this ceiling, the interest rate charged on the investment or commercial loan, as applicable, cannot exceed Mortgage House’s standard variable rate for that particular type of loan (for example, Mortgage House’s standard variable rate for full doc interest only investment loans).

[4] For the purposes of this Ruling, as applicable, a ‘leading rate’ refers to a:

- full doc investment loan interest rate that is higher than the average standard variable rate for an equivalent investment loan offered by the ‘Big 4’ banks at the time, or
- full doc commercial loan or an alt doc investment or commercial loan that is higher than the standard variable rate for an equivalent loan offered by other non-bank lenders in Australia at the time.

[5] For example, if the borrower’s new or refinanced investment loan is an alt doc interest only investment loan, the interest rate charged to the borrower cannot be higher than Mortgage House’s standard variable interest rate for interest-only alt doc investment loans.

cannot rely on the Ruling section of this Ruling if the restrictions set out in this paragraph are not adhered to.

27. None of the borrower's home, investment or commercial loan:

- is or will be part of a linked or split loan facility as described in paragraphs 3 to 6 of Taxation Ruling TR 98/22 *Income tax: the taxation consequences for taxpayers entering into certain linked or split loan facilities*
- involves or will involve any capitalisation of interest
- is or will be subject to any cross collateralisation (outside of any standard bank security arrangements), or
- is or will be part of an 'investment loan interest payment arrangement' as described in Taxation Determination TD 2012/1 *Income tax: can Part IVA of the Income Tax Assessment Act 1936 apply to deny a deduction for some, or all, of the interest expense incurred in respect of an 'investment loan interest payment arrangement' of the type described in this Determination?*

Commissioner of Taxation
12 August 2026

Status: **not legally binding**

Appendix – Explanation

❶ ***This Explanation is provided as information to help you understand how the Commissioner's view has been reached. It does not form part of the binding public ruling.***

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Refinancing an original loan

28. The interest expense on a new loan will be deductible if the new loan is used to repay an existing loan which, at the time of the second borrowing, was being used in an assessable income-producing activity or used in a business activity which is directed to the production of assessable income (see paragraph 42 of Taxation Ruling TR 95/25 *Income tax: deductions for interest under section 8-1 of the Income Tax Assessment Act 1997 following FC of T v. Roberts; FC of T v. Smith*, referring to *Commissioner of Taxation v Roberts, J.D. Commissioner of Taxation v Smith, V.R.* [1992] FCA 543).

29. Pursuant to the assumptions at subparagraphs 10(b) and (c) of this Ruling, the borrower's investment or commercial loan, as applicable, is used in an assessable income-producing activity or in a business activity directed to the production of assessable income. On the basis of those assumptions and consistent with the principle set out in paragraph 28 of this Ruling, interest incurred on any refinanced investment or commercial loan of the borrower will therefore also be deductible under section 8-1 of the ITAA 1997.

Application of Part IVA

30. Part IVA is a general anti-avoidance rule which gives the Commissioner the ability to cancel all or part of a tax benefit that has been obtained, or would, but for section 177F, be obtained, by a taxpayer in connection with a scheme to which Part IVA applies.

31. In broad terms, Part IVA will apply where the following requirements are satisfied:

- there is a 'scheme' as defined in section 177A
- there is a 'tax benefit' that, in relation to allowable deductions, is defined in paragraph 177C(1)(b) as

  > a deduction being allowable to the taxpayer in relation to a year of income where the whole or a part of that deduction would not have been allowable, or might reasonably be expected not to have been allowable, to the taxpayer in relation to that year of income if the scheme had not been entered into or carried out

- having regard to the 8 objective matters identified in subsection 177D(2), it would be concluded that the person, or one of the persons, who entered into or carried out the scheme (or any part of it) did so for the dominant purpose of enabling the taxpayer to obtain the tax benefit in connection with the scheme, and
- the Commissioner makes a determination that the whole or part of the amount '… of a tax benefit that is referable to a deduction … shall not be allowable …' (paragraph 177F(1)(b)).

Status: **not legally binding**

32. Provided that the scheme ruled on is entered into and carried out in the manner described in the Scheme section of this Ruling, and having regard to the matters in subsection 177D(2), it is not a scheme entered into or carried out for the dominant purpose of enabling the borrower to obtain a tax benefit in connection with the scheme.

Status: **not legally binding**

References

Related rulings and determinations:
TR 95/25; TR 98/22; TD 2012/1

Legislative references:
- ITAA 1936 Pt IVA
- ITAA 1936 177A
- ITAA 1936 177C(1)(b)
- ITAA 1936 177D(2)
- ITAA 1936 177F
- ITAA 1936 177F(1)(b)
- ITAA 1936 318
- ITAA 1997 8-1
- ITAA 1997 Div 230

Cases relied on:
- Commissioner of Taxation v Roberts, J.D. Commissioner of Taxation v Smith, V.R. [1992] FCA 543; 37 FCR 246; 92 ATC 4380; 23 ATR 494; 108 ALR 385

ATO references

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