

# S4455

LIMITED COMPANY TAX SERIES

TAX YEAR 2026/27

LIMITED COMPANIES · DIRECTOR'S LOANS

## I Took Money Out of My Company. Now What?

The overdrawn director's loan and the s455 charge, explained in plain English. You may already owe this and not know it. It is common, and it is fixable.

S455 CHARGE

**35.75%**

REPAY WITHIN

**9m +1d**

BIK THRESHOLD

**£10k**

• [START HERE](#)

# You may already owe this, and not know it


Any money you take out of your company that is not salary, a dividend or a repayment of expenses you have paid personally is a director's loan. If that loan account is overdrawn at your company year end, it can trigger a Corporation Tax charge. This happens to a lot of directors, and it can be put right.

The fix is almost always cheaper than the charge, and the earlier we find it the more options you have. This guide shows you how to spot an overdrawn loan, what it costs if you leave it, and the cleanest way to clear it.

## At a glance, the numbers that matter

<p>S455 CHARGE</p> <p><b>35.75%</b></p> <p>Loans on or after 6 Apr 2026</p>	<p>EARLIER LOANS</p> <p><b>33.75%</b></p> <p>6 Apr 2022 to 5 Apr 2026</p>	<p>REPAY DEADLINE</p> <p><b>9m<sup>+1d</sup></b></p> <p>After your year end</p>	<p>BENEFIT THRESHOLD</p> <p><b>£10<sub>k</sub></b></p> <p>Triggers a benefit in kind</p>
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## What is in this guide

- 01** **What counts as a director's loan**  
And how an account quietly goes overdrawn · page 3
  - 02** **The s455 charge**  
The 35.75% rate and the 9 month deadline · page 3
  - 03** **Reclaimable, but slowly**  
How and when the company gets s455 back · page 4
  - 04** **The other traps and how to put it right**  
Benefit in kind, bed and breakfasting, the fix · page 5
-  **THE CALM VERSION**  
An overdrawn director's loan is a timing and paperwork issue, not a disaster. There is a clear deadline, a clear charge if you miss it, and a clear way to clear it. **We find it, work out the cheapest route, and fix it.**

01 WHAT IT IS, WHAT IT COSTS

# The director's loan, and the s455 charge

First, what makes money you take out a loan. Then, the Corporation Tax charge that lands if an overdrawn loan is still outstanding nine months and one day after your year end.

## When money out becomes a loan

Your company's money is not your money until you take it out the right way. Three withdrawals are not a loan: a **salary** through PAYE, a **dividend** from post-tax profit, and a **repayment of expenses** you paid personally for the business. Anything else, a cash transfer to yourself, a personal bill paid from the company card, drawings ahead of profit, builds up an overdrawn director's loan account.

MONEY YOU TAKE OUT	IS IT A LOAN?	WHY
Salary through PAYE	No	Taxed as earnings at source
Dividend from profit	No	Paid from post-tax retained profit
Repaying your own expenses	No	You are owed it back
Cash drawn with nothing to cover it	Yes	Adds to an overdrawn loan
Personal costs on the company card	Yes	The company paid your bill

Source: GOV.UK, Director's loans. A loan account is overdrawn when you owe the company money at the period end.

## The s455 charge if you miss the deadline

If the overdrawn loan is not repaid within **nine months and one day** of the company's year end, the company pays a Corporation Tax charge under section 455 on the amount still outstanding. The rate is **35.75%** for loans made on or after 6 April 2026, and **33.75%** for loans made between 6 April 2022 and 5 April 2026.



### IT IS THE COMPANY THAT PAYS, NOT YOU

The s455 charge is paid by the **company**, on top of its normal Corporation Tax, and it is due at the same time. So an overdrawn loan you forgot about can turn into a real bill the company has to find in cash, nine months after the year it happened.



### Worked example · a £30,000 overdrawn loan left unpaid

Director's loan overdrawn at year end (loan made 2026/27)	<b>£30,000</b>
Repaid within 9 months and 1 day of year end?	<b>No</b>
s455 rate on loans made on or after 6 Apr 2026	<b>35.75%</b>

02 GETTING THE S455 BACK

# It is reclaimable, but the cash is tied up

The s455 charge is not lost for good. Once you repay the loan the company can reclaim it. The catch is the timing: the refund comes slowly, so the money can be tied up for a long time.

s455 is sometimes called a temporary or holding charge, because the company gets it back once the loan is cleared. But you reclaim it with **form L2P** (the relief is given under section 458), and you cannot claim until **nine months and one day after the end of the accounting period in which the loan was repaid**, written off or released. HMRC will not repay it before that point.

## Why the cash can be stuck for so long

Walk the timeline through and you can see how a single overdrawn year can lock up the company's cash for the best part of two years before the s455 comes back.

STAGE	WHAT HAPPENS	TIMING
Year end	Loan is overdrawn and outstanding	Day 0
s455 falls due	If still unpaid, the company pays s455	9m + 1d later
You repay the loan	Loan cleared in a later period	When you can
Reclaim window opens	L2P claim allowed (s458 relief)	9m + 1d after that period end

Source: GOV.UK, Reclaim tax paid by close companies on loans to participators (form L2P). Relief is not paid before 9 months and 1 day after the end of the accounting period of repayment.



### A QUICK TIMELINE

Loan overdrawn at a 31 March 2027 year end. s455 falls due 1 January 2028 if still unpaid. Say you repay in the year to 31 March 2029. You cannot reclaim the s455 until **1 January 2030**. That is the company's cash sitting with HMRC for around two years.



### THIS IS EXACTLY WHY TIMING MATTERS

Because the refund is so slow, the cheapest outcome is almost always to **clear the loan before s455 ever bites**, within nine months and one day of year end, so the company never pays it in the first place. That is the plan we aim for.

03 THE OTHER TRAPS, AND THE CURE

# The other traps, and how to put it right

Two more rules catch directors out: the benefit in kind on larger loans, and the anti-avoidance rule that stops a quick repay-and-redraw. Then, the routes we use to clear an overdrawn loan cleanly.

## The £10,000 benefit in kind

If your loan is over **£10,000** at any point in the tax year, it is a taxable **benefit in kind**, and the company also pays **Class 1A National Insurance** on it, unless you pay the company interest at **HMRC's official rate**, currently **3.75%** from 6 April 2026.

## Bed and breakfasting is caught

Repaying the loan just before year end and redrawing it soon after does not work. Anti-avoidance rules catch it: the **30-day rule** where the loan is £5,000 or more, and a wider rule where it is £15,000 or more and a redraw was always intended.



### A REAL REPAYMENT, NOT A PAPER ONE

To count, the loan has to be genuinely repaid, by paying cash in, by voting a dividend or bonus that clears it, or by offsetting money the company genuinely owes you. A repayment that is reversed within 30 days is treated as if it never happened.

## ✓ How we put it right

ROUTE	WHEN IT FITS	WATCH OUT FOR
<b>Repay in cash before the deadline</b>	You have personal funds available	Must clear within 9m + 1d of year end
<b>Clear it with a dividend</b>	The company has distributable profit	Dividend tax on you; needs proper paperwork
<b>Clear it with a bonus or salary</b>	Little or no distributable profit	PAYE and NIC on the bonus
<b>Plan your draws through the year</b>	Going forward, to avoid it recurring	Keep the loan account in credit or small

The cheapest route depends on your profit, your other income and the size of the loan. We compare them on your figures before you act.



### WE WORK OUT THE CHEAPEST ROUTE

A dividend, a bonus, a cash repayment or a mix: each has a different tax cost, and the right answer is personal. We model them side by side and pick the one that clears the loan for the least tax overall.

04 TWO MINUTE SELF-CHECK

# Your director's loan health check

Print this page and work through it. It will tell you, in a couple of minutes, whether you are likely to have an overdrawn loan and an s455 charge coming, and what to gather before you ask us to look.

 **Have you been taking money out?**

- Drawn **cash** from the company beyond your salary and dividends
- Paid **personal bills** from the company bank account or card
- Taken **drawings ahead of profit**, before dividends were declared COMMON
- Used the company to **buy something personal**, even briefly
- Not sure whether your **loan account is overdrawn** right now CHECK

 **The deadlines and thresholds**


- Know your **company year end** date and the 9 month plus 1 day deadline KEY DATE
- Loan was **still outstanding** 9 months and 1 day after year end
- Loan went **over £10,000** at any point in the tax year BENEFIT
- No **interest at the official rate** (3.75%) was paid to the company

 **Watch for the traps**

- You **repaid then redrew** a similar amount within about a month B AND B
- Dividends were drawn with **no distributable profit** to cover them
- No **dividend vouchers or board minutes** for amounts taken
- The loan has **rolled over** from a previous year unaddressed

 **Gather before your review**

- Your latest **company accounts** and the director's loan balance
- Bank and card statements** showing money taken out
- Any **dividend vouchers, payslips** and expense claims
- Your **year end date** and an idea of distributable profit
- A note of **when the loan was made**, for the right s455 rate

 **IF TWO OR MORE OF THESE ARE TICKED**  
 You probably have an overdrawn director's loan and may be heading for an s455 charge. That is the moment to get a review. We will tell you the exact position and the cheapest way to clear it, with no obligation.



— FREE REVIEW · NO OBLIGATION

# We will tell you if you have an **overdrawn loan**

Book a free, no-obligation review. A CIMA-qualified accountant will check your director's loan position, tell you in plain English whether s455 is coming, and work out the cheapest way to clear it.

- ✓ A clear answer on whether your loan account is overdrawn, and by how much
- ✓ Your exact s455 exposure and the deadline that matters for your year end
- ✓ The cheapest route to clear it, dividend, bonus or repayment, on your numbers

Reviewed by a **CIMA-qualified** accountant (ACMA, CGMA)

★★★★★ 4.9 on Google · 56 reviews



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**About this guide.** Reviewed by Harvey Dhillon, ACMA CGMA. Figures verified against GOV.UK for the 2026/27 tax year: s455 at 35.75% on loans made on or after 6 April 2026 (33.75% for loans 6 April 2022 to 5 April 2026), the 9 month and 1 day deadline, the £10,000 benefit in kind threshold and the 3.75% official rate of interest. This guide is general information, not advice for your specific circumstances; rates and thresholds can change. Always confirm your position with a qualified accountant before acting. © Zmartly 2026.