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ZMARTLY FACTSHEET SERIES

The Overdrawn Director Loan and s455

The overdrawn director 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, and the earlier it is found the more options you have.

Tax year **2026/27** · Prepared by **Harvey Dhillon** · Last reviewed **10 March 2026** · Sources: gov.uk

CORPORATION TAX	DIVIDEND TAX
19% – 25%	**10.75% · 35.75% · 39.35%**

01 What counts as a director loan

Any money you take out of your company that is not salary, a dividend or a repayment of expenses you paid personally is a director loan. If that account is overdrawn at your year end, it can trigger a Corporation Tax charge.

- Salary through PAYE is not a loan, it is taxed as earnings at source
- A dividend from post-tax profit is not a loan
- Repaying expenses you paid personally is not a loan, you are owed it back
- Cash drawn with nothing to cover it, or personal costs on the company card, build an overdrawn loan

GOOD TO KNOW
A loan account is overdrawn when you owe the company money at the period end.

02 The s455 charge

If the overdrawn loan is not repaid within nine months and one day of your 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
- It is 33.75% for loans made between 6 April 2022 and 5 April 2026
- The company pays it, on top of its normal Corporation Tax, due at the same time

GOOD TO KNOW
A £30,000 loan left unpaid at a 2026/27 year end means a £10,725 s455 charge the company has to find in cash.

03 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 with form L2P, under section 458 relief. The catch is the timing.

- You cannot claim until nine months and one day after the end of the period in which the loan was repaid
- HMRC will not repay the s455 before that point
- A single overdrawn year can lock up the company cash for the best part of two years

GOOD TO KNOW
Because the refund is so slow, the cheapest outcome is almost always to clear the loan before s455 ever bites.

04 The other traps and how to put it right

Two more rules catch directors out, then there are clear routes to clear an overdrawn loan cleanly.

- A loan over £10,000 at any point in the tax year is a taxable benefit in kind, with Class 1A NIC, unless you pay interest at HMRC official rate

- Bed and breakfasting is caught: the 30-day rule where the loan is £5,000 or more, and a wider rule at £15,000 or more
- Clear it by repaying in cash before the deadline, by a dividend, or by a bonus or salary, depending on your figures

GOOD TO KNOW

A dividend, a bonus, a cash repayment or a mix each has a different tax cost, so the right answer is personal.

Common questions

What is the s455 charge?

It is a Corporation Tax charge a close company pays on a director loan that is still overdrawn nine months and one day after the year end. The rate is 35.75% on loans made on or after 6 April 2026, and 33.75% on loans made between 6 April 2022 and 5 April 2026.

Can the company get the s455 charge back?

Yes. Once the loan is repaid, written off or released, the company can reclaim the s455 using form L2P under section 458 relief. You cannot claim until nine months and one day after the end of the accounting period in which the loan was repaid, so the cash can be tied up for some time.

When does a director loan become a benefit in kind?

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

Can I just repay the loan before year end and take it out again after?

No. Anti-avoidance rules catch this. The 30-day rule applies where the loan is £5,000 or more, and a wider rule applies where it is £15,000 or more and a redraw was always intended. The repayment has to be genuine to count.

NEXT STEP

Get expert eyes on your tax

Book a free 30-minute Tax Health Check — we review your situation, sense-check the figures and show you where you could save.

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