
What is the S455 charge?

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S455 Charge on Director's Loans Explained

If you take money out of your limited company that is not salary, dividends, or expenses, it usually goes through your Director's Loan Account. If that loan is not repaid in time, your company may face an extra tax charge called s455 charge so it's important you understand the implications of this charge before taking any loans.

Therefore, here is what it means, when it applies, and how to avoid it.

What Is the S455 Charge?

The s455 charge is a temporary corporation tax charge your company pays when a director or shareholder owes the company money for too long. Essentially, it exists to stop directors using company funds like a personal overdraft and it is enforced by HMRC.

When Does S455 Apply?

S455 applies if:

- A director or shareholder takes money from the company
- It is recorded as a director's loan
- The loan is not repaid within 9 months and 1 day after the end of the company's accounting period (e.g. when the corporation tax is due).

If you miss the deadline for repaying this then the tax kicks in.

How Much Is the S455 Charge?

The charge is currently 35.75% on the outstanding loan balance (e.g. the same as higher rate dividends in 2026/27). Prior to 6th April 2026, it was 33.75%, so if the loan was paid prior to this date, 33.75% would be

used.

Example:

- Director owes £10,000 as at their company year end of 31/03/2027
- This is still outstanding on 31/12/2027, so £3,575 of s455 is due by 01/01/2028.
- Therefore, the company pays this (not the director) alongside the corporation tax.

Is S455 Permanent?

No. It is refundable once the loan is repaid. The downside is timing. Your company can only reclaim the tax 9 months and 1 day after the end of the accounting period in which the loan is cleared. So, using the above example, if the loan was repaid on 31/03/2026 (e.g. in the following accounting period), you would need to wait until after 31/12/2026 to reclaim this (providing the 31/03/2026 accounts have been filed showing the loan repaid). As a result, this can cause cashflow issues as your money can end up being tied up with HMRC for quite some time.

What Counts as Repaying the Loan?

A loan is cleared if you:

- Transfer the money back to the company
- Clear it using properly declared dividends
- Clear it using salary or bonus through payroll

It is not cleared if:

- The loan is simply written off without tax
- It is briefly repaid and then taken out again (which brings us to our next point!)

What Is “Bed and Breakfasting”?

This is where a director repays a loan just before the deadline, then takes the money back out shortly after. If you repay £5,000 or more and re-borrow it within 30 days, the repayment can be ignored for s455 purposes.

Does S455 Affect Your Personal Tax?

Not directly. However, if your loan goes over £10,000, you would need to pay interest to prevent the loan being classed as a [benefit in kind](#) (which also brings personal and company tax implications).

How to Avoid the S455 Charge

The easiest way to avoid s455 is to:

- Take money properly as salary, dividends, or reimbursed expenses
- Repay any director's loan before the deadline
- Keep a close eye on your Director's Loan Account

Essentially, director's loans aren't a feasible long-term tax planning strategy and instead should only really be used for short-term planning.

To Summarise:

- S455 is a tax charge on unpaid director's loans
- It is charged at 35.75% (or 33.75% for loans made before 6th April 2026)
- It applies if the loan is not repaid on time
- It is refundable, but usually much later
- Large or written-off loans can also trigger personal tax

If you have any questions with this, please reach out to your dedicated accountant or support (support@mightyaccounting.com). We're always happy to advise on directors loans *before* you withdraw them if you want any advice on whether an alternative method would be better.

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