



DLA

DIRECTORS' LOAN ACCOUNTS

Understand how money moves between you and your company, and stay on the right side of HMRC...

AT A GLANCE

- What is a DLA?
- Why DLAs Matter
- When a DLA is in Credit
- When a DLA is in Debit
- How to Clear an Overdrawn DLA
- Keeping Your DLA in Order
- Key Takeaways



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WHAT IS A DLA?

A Directors' Loan Account (DLA) is essentially a record of any money that a director takes from or puts into the company that **isn't** salary, dividends, or expense reimbursement.



Think of it like a personal account with your company:

Credit balance: You've lent money to the company or paid for business expenses personally → the company owes you.

Debit balance: You've withdrawn money for personal use (not as salary or dividend) → you owe the company.



Even though you're a director, you and your company are separate legal entities, so HMRC tracks these balances carefully.



WHY DLAs MATTER

DLAs are important because HMRC treats money taken from the company as a potential taxable benefit.

Leaving an overdrawn DLA unchecked can trigger:

Section 455 Tax – paid by the company if the loan isn't repaid within 9 months of year-end.

Benefit-in-Kind (BiK) Tax – if the loan is interest-free or below HMRC's official rate.

Interest charges or penalties if HMRC rules aren't followed.



*Keeping your DLA accurate and up to date protects you from **unexpected tax bills.***





WHEN A DLA IS IN CREDIT

(COMPANY OWES YOU)



Repayments are tax-free



No impact on BiK or Section 455 tax



Interest may be paid to you by the company (and taxed as income if applicable)



WHEN A DLA IS IN DEBIT

(YOU OWE THE COMPANY)



If you borrow from the company,
the following rules apply:

Section 455 Tax

- If the overdrawn loan at your year-end isn't repaid within **9 months**, the company pays **33.75% tax** on the loan.
- This tax is **recoverable** once you repay the loan.

Benefit in Kind (BiK) Tax

- Interest-free or low-interest loans over £10,000 trigger **income tax on the benefit**.
- The company may also pay **Class 1A National Insurance**.



HOW TO CLEAR AN OVERDRAWN DLA

You can reduce or repay your DLA by:

Declaring a dividend (if there are sufficient retained profits)

Repaying the loan in cash

Combining salary or bonus payments to offset the debt

IMPORTANT!

Don't "repay" and immediately redraw the loan. HMRC can ignore repayments within 30 days if they are effectively recycled.





KEEPING YOUR DLA IN ORDER



Maintain a running record of all personal transactions



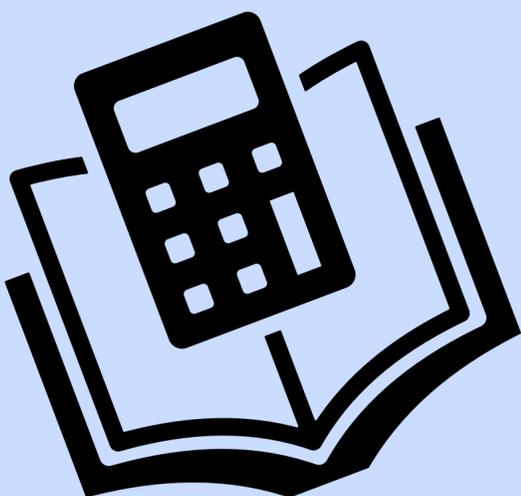
Label each entry clearly: loan, dividend, salary, or reimbursement



Reconcile regularly with us



Ensure the year-end balance is accurate for tax purposes



IMPORTANT!

Proper record-keeping avoids mistakes and makes preparing year-end accounts much easier.



IN SUMMARY



DLAs track personal and business money flows



Overdrawn DLAs can trigger tax charges



Repay loans promptly to avoid Section 455 tax



Interest-free loans over £10,000 are treated as a taxable benefit



Keep accurate, reconciled records



DLAs are often misunderstood, and small mistakes can lead to unexpected tax bills. If you're unsure whether a transaction counts as a loan, salary, or dividend, please reach out to your client manager.