

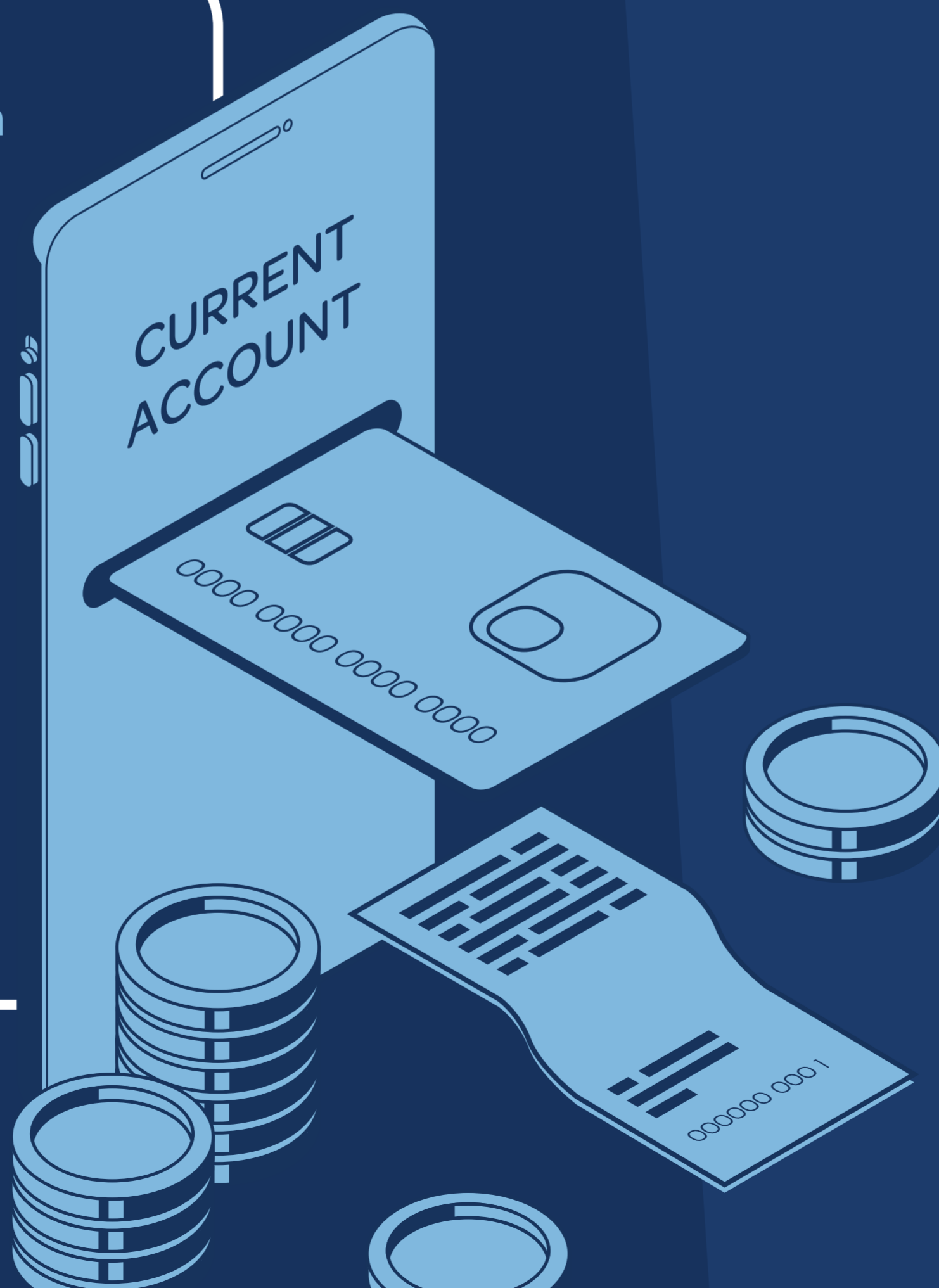
What is a director current account?

The director current account is a summary of transactions between the director of the company and the company itself.

The director of the company and the company itself being separate legal entities.

Usually each director, where there are multiple directors, would have a separate director current account (also sometimes referred to as directors loan account)

We always produce a director current-account for limited company jobs and send this to clients as part of our year end pack and ask clients to approve this



THE TYPE OF TRANSACTIONS THAT ARE LISTED IN THE DIRECTOR CURRENT ACCOUNT INCLUDE

- Director salary
- Dividends issued (Based on the profits of the business)
- Director loan interest (If applicable)
- Personal expenses paid on behalf of the company by the director
- Money introduced to the business (which can be paid back to the director tax-free, cash flow permitting)
- Any transfers or cash drawings
- Sales received personally
- Ultimately this then results in a closing balance which Rolls forward to the next period
- If the balance is negative which means that the director has withdrawn too much money, this money needs to be paid back within nine months of the yearend accounting date
- If the balance is positive, the director can withdraw the money from the company tax free. However must know that the balance applies to the date of the accounts which are completed in arrears and does not account for any subsequent transactions which have happened between the accounting period to year end and the date the accounts are completed.
- Therefore the closing balance is always going to be out of date.
- We do advise clients to leave enough money in the company to meet liabilities including tax And other creditors
- If the director current-account is consistently overdrawn and tax bills remain unpaid, HMRC are likely to investigate and we are also obliged to charge the company for the overdrawn loan which should be avoided