



Australian Government
Australian Taxation Office

Avoid surprises when borrowing from your company

Last updated 21 November 2022

Borrowing money and assets from your private company might seem like a straightforward transaction, but if the loan doesn't meet certain requirements, you might find yourself paying more tax.

If you or an associate take a loan from your private company, it's important to understand the requirements of repaying the loan correctly for income tax purposes. Otherwise, you could find the loan treated as a [Division 7A deemed dividend \(/businesses-and-organisations/corporate-tax-measures-and-assurance/private-company-benefits-division-7a-dividends/payments-and-other-benefits-affected/tax-treatment-of-division-7a-dividends\)](#) and included in your or your associates' assessable income. Division 7A is intended to prevent profits or assets being provided to shareholders or their associates tax free.

You can avoid a deemed dividend by making sure your loan is a [Division 7A complying loan \(/businesses-and-organisations/corporate-tax-measures-and-assurance/private-company-benefits-division-7a-dividends/payments-and-other-benefits-affected/loans-](#)

[and-other-forms-of-credit?anchor=Fullycommercialloans#Fullycommercialloans](#)) before your company's lodgment day and making minimum yearly repayments.

However, you can't borrow further money or assets from the same company, directly or indirectly, to make minimum yearly repayments or repay the loan. If you do, these payments may not be taken into account as repayments for Division 7A purposes, potentially resulting in an assessable deemed dividend.

We're seeing situations where payments are being made on company loans that don't satisfy the requirements and won't be taken into account as repayments for Division 7A purposes. These include:

- loans being repaid shortly before the private company's lodgment day with the intention of directly, or indirectly, reborrowing a similar or larger amount from the same company
- money or assets that are directly, or indirectly, borrowed from a company in order to make payments, including minimum yearly repayments, for a loan from the same company.

We encourage you to check your private company loans and if you're concerned a payment will not be taken into account, speak to your registered tax adviser or [contact us \(/businesses-and-organisations/corporate-tax-measures-and-assurance/private-company-benefits-division-7a-dividends/contact-us-about-division-7a\)](#).

We publish information on the behaviours, characteristics and tax issues of privately owned and wealthy groups that [attract our attention \(/businesses-and-organisations/corporate-tax-measures-and-assurance/private-owned-and-wealthy-groups/what-attracts-our-attention/transactions-and-taxes/private-company-](#)

Repayments that are re-borrowed are not considered repayments and result in the full balance of the loan being treated as an unfranked dividend in the hands of the borrower.

[benefits#DeemedDividend](#)) to help you get things right and be transparent in our dealings with you.

For more information, see [Loans by private companies \(/businesses-and-organisations/corporate-tax-measures-and-assurance/private-company-benefits-division-7a-dividends/in-detail/division-7a-loans?page=1#Loan_repayments_not_taken_into_account\)](#) and [Using your business money and assets for private purposes \(/businesses-and-organisations/starting-registering-or-closing-a-business/starting-your-own-business/using-your-business-money-and-assets-for-private-purposes\)](#).

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If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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