Three ways to loan money from your company

There are several ways to withdraw money from your company. The most obvious way is paying salary (to you as director) or paying dividends (to you as shareholder). Problem is that these are quite expensive methods from a tax perspective. Fortunately, there are alternatives. Why not loan from your company? This can be done in several ways. We explain briefly the advantages and disadvantages of the different possibilities.

Pay a competitive interest rate

Before we look into the different options, note that irrespective which loan you enter into, you should pay a competitive interest rate to your company. In case you pay a lower interest rate or obtain an interest free loan, you receive a benefit in kind. This will be taxed, so again it will result in a tax bill.

Method 1: withdraw money through the current account

This method has one big **disadvantage**: with a legally foreseen interest rate of 9,27% it is extremely expensive.

Method 2: fixed term loan

You can also enter into a fixed term loan contract with your company. The company is the creditor, you are the debtor.

The interest rate which you will have to pay can be calculated with this simple formula:

(P x 24 x n) / (n + 1)

P is the monthly interest rate, which varies depending on the reason why the loan was entered into. If the loan was granted to buy a car, the monthly interest rate amounts to 0,06%, in all other cases it is 0,13%.

N is the number of months during which the loan is repaid.

Advantage is that you can borrow at much lower rates than through the current account: if you borrow 15.000 EUR to buy a car, and it is a three-year loan, the interest rate you have to pay is (0,06% x 24 x 36) / 37 = 1,40%. Compare this with the 9,27% interest rate for a loan via the current account.

Disadvantage is that sooner or later you have to repay your company. At a certain point in time (in the above example in three years) you need to have a considerable amount privately.

Method 3: mortgage loan

A mortgage loan cannot only be granted by a financial institution. Also your own company can provide such a mortgage loan.

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Disadvantage is that you must have immovable property as security and you pass via a notary public. But this is also the case when you obtain a mortgage loan with a bank.

You can choose between a fixed or variable interest rate.

The **fixed interest rate** depends whether the loan is secured by a life insurance (1,65%) or not (1,78%).

The **variable interest rate** depends on the review period of the interest rate: in case a review is foreseen during the first six years, the interest rate is even negative. In theory, your company should pay you. That's however a bridge too far. But you can directly see the big **advantage**: you can have a free loan from your company. If the interest rate can only be reviewed after seven years or later, you will pay interest: for a seven-year revision period the interest rate is 0,17% and for a ten-year revision period 0,717%. You have noticed that also these rates are more beneficial than the interest rate for the current account.

Watch out when using this method and check whether there are no other more beneficial ways to acquire immovable property: acquisition by the company, split acquisition of usufruct and naked property, ...

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