

Limited Companies Close Companies

The definition of a close company is a company which is under the control of not more than five shareholders, or is under control of its Directors.

This includes near relatives (grandparents, parents, grandchildren, brothers and sisters), business partners, trustees, and associate companies.

Loans to shareholders and directors of close companies have to be carefully considered, as 25% of the loan value is required to be deposited with the Inland Revenue. It is payable with the corporation tax in the year in which the loan and corporation tax apply. When the loan is repaid, the deposit is repaid when the corporation tax (for the period in which the loan is repaid) is due to be paid.

Benefits or payments of any kind paid to shareholders, other than salaries taxed under the PAYE/NI system, is deemed to be a dividend, and should be treated as a distribution of profits.

The small companies reduced corporation tax rate does not apply to non trading close investment holding companies.