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Financial Services



Finance



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Investment Management

## Appropriate ways to take cash out of your private company

Your company which is used as your trading vehicle will accumulate cash as you trade profitably. Naturally you want to be rewarded for your hard work and success but you must consider the appropriate ways to accomplish this.

**Salary or Wages:** The most common method used is to pay yourself a salary, just as you do your employees. This is income which is assessable to you personally and an expense which is deductible in the business. The amount you pay yourself in this way will depend on the profit of your company and the amount of other income you receive personally. You should discuss this with your Carnegie contact if necessary to work out the most tax effective salary.

**Dividends:** The other common method for taking cash out of your company is to pay yourself a franked dividend, assuming you are a shareholder. The dividend can only be franked if the company has made profit in the past and paid company tax. This tax credit is passed on to the shareholders as franking on dividends which eliminates or reduces personal tax payable, depending on your total level of income.

**Loan repaid:** The only other appropriate method of taking cash out of your company is repayment to you of a loan where you have previously loaned personal funds to the company when needed for ongoing business activities. It is not recommended to take cash out as a loan otherwise. Such a loan may contravene tax office regulations and could create the need for assessable interest to be calculated in the company and even an unfranked dividend to be declared to shareholders.

If you require additional funds over and above any regular salary or dividend from your company, please contact our office to discuss the most tax-effective way of doing this. Everyone's circumstances are different and require a tailored procedure to achieve an optimum result.

We're here to help. Before you draw money from your company it's worth speaking with your Carnegie accountant who can help you decide which method will work best for your company and personal tax position.