

Are you currently paying for your life assurance from your own bank account? If you are, why not take advantage of tax benefits that could give you a 49% discount on the cost of that cover?*

You have a successful business that gives your family a rewarding lifestyle that you have worked hard to achieve. Did you know that as a director of your own company, your life cover could provide tax benefits while giving you the peace of mind that your family would be provided for should the worst happen? You could also provide life cover for your employees – even if you only have a few.

If you currently pay for your life cover from your own bank account you will be paying out of post-tax income, and if you pay for it from your business account you will probably be taxed on the payment as if it was income. Larger companies avoid this tax by providing life cover for employees through a registered group 'death in service' scheme.

You can take advantage of the tax benefits available to larger companies by taking your life cover out through a 'relevant life policy'. These are written on a single life basis so are available to all companies no matter how small.

There are tax benefits of relevant life policies available to both the employer and employees:

- Potential tax relief on the premiums for the employer (premiums are treated as a business expense and are likely to be an allowable deduction against Corporation Tax)
- No tax assessment of premiums on the employee as a benefit in kind
- There's no liability for the employer or employee to National Insurance on the policy premiums
- The benefit is free of Income Tax
- Benefits do not count towards the lifetime allowance for pension purposes (ideal for those who have substantial pension funds and do not want their death-in-service benefits forming part of their lifetime allowance)
- In most cases, benefits are paid free of Inheritance Tax

Relevant Life Policies are written in trust and must cease before your 75th birthday. A lump sum death benefit is paid directly to your nominated beneficiaries and the maximum cover is normally 15x / 20x annual salary which can include salary, regular dividends paid in lieu of salary and benefits in kind

Relevant Life Policies are aimed at employees of any type of business, including directors of limited companies, provided that you are a Schedule E tax payer. They are not suitable for partners or sole traders who are taxed under Schedule D.

How much could be saved with a Relevant Life Policy?

	Employee Owned Plan	Relevant Life Policy
PREMIUM	£1,000	£1,000
Company Gross Cost		
Income Tax @ 40%	£690	
Employee's NI @ 2%	£34	
Employer Gross Cost		
Employer's NI contribution @ 13.8%	£238	
Total Gross Cost	£1,962	£1,000
Company Net Cost		
Corporation Tax relief @ 20%	£392	£200*
TOTAL NET COST	£1,570	£800*

* For example purposes, it has been assumed that Corporation Tax relief @ 20% has been granted under the 'wholly and exclusively' rules. Also, it assumes a 40% tax payer. Rates as at 2011/12

Call or email in order to find out how a Relevant Life Policy could help you:

Nigel Osgood

Advanced Financial Advice, 44 Broadway, Maidenhead, Berkshire SL6 1LU

01628 594433 (direct line) or nigel@advancedfinancialadvice.co.uk