

RELEVANT LIFE INSURANCE
TAX EFFICIENT LIFE INSURANCE FOR BUSINESSES, DIRECTORS AND EMPLOYEES
JULY 2022

Relevant life insurance provides a straightforward, cost-effective and tax-efficient way for businesses to provide life insurance to directors and employees.

Employer benefits

- Can be used instead of, or in addition to, group life insurance (death-in-service).
- Premiums paid by the company qualify as a tax-deductible business expense.
- No employer NI contributions on the premiums paid.
- Provides valuable death benefits for employees.

Director or Employee benefits

- Premiums paid by the company do not count as a P11D benefit.
- No employee NI contributions on the premiums paid.
- Portable to a new company or a personal policy at any time.
- Proceeds on death do not form part of estate.

Who can benefit?

- Available to a maximum expiry age of 75.
- Available to any director or employee of a limited company and salaried partners of a partnership.
- Available sum up to 30 times remuneration (including salary, bonuses and dividends).

Example

Assumes income taken as salary only, income tax rate of 45%, employee's NI rate of 2%, employer's NI rate of 13.8% and corporation tax rate of 20%.

	Non-Relevant Life Policy	Relevant Life Policy
Monthly premium	£1,000	£1,000
Employee NICs	£38	£0
Employee Income Tax	£849	£0
Employer NICs	£260	£0
Total gross cost	£2,147	£1,000
Corporation Tax	(£429)	(£200)
Total net cost	£1,718	£800