

Relevant life policy - overview

Synopsis: An overview of relevant life policies.

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Definition

A relevant life policy (RLP)...

- Is a term assurance effected by an employer on the life of an employee and funded by the employer.
- Provides for a lump sum benefit payable on death before age 75. It may, in addition, provide benefits in respect of ill health (which would include terminal illness benefits), disablement or death by accident of the employee during employment.
- Provides no other benefits and does not have a surrender value at any time.
- Is effected by the employer subject to a trust under which only individuals and charities can benefit.
- Is designed to meet the criteria for a 'single life' relevant life policy set down in sub-sections 393B(4)(b) and (c) of the Income Tax (Earnings and Pensions) Act 2003.

Legislative background

RLPs are a form of benefit provided by employers to employees.

Following the changes to pensions in the UK introduced from 6 April 2006, ie. post 'A-day', only certain types of benefit, including death-in-service benefits, are treated in a favourable way for tax purposes. It is well known that registered pension schemes provided by employers benefit from special tax concessions.

Where an employer establishes any form of benefit scheme for an employee(s) other than a registered pension scheme, the scheme will generally be taxed as an employer-financed retirement benefits scheme (EFRBS) because it pays out 'relevant benefits'. An exception exists for schemes that provide 'excluded benefits'. The benefits payable under an RLP are treated as excluded benefits.

Because the benefits paid under an RLP are not treated as relevant benefits, an RLP is not taxed in the same way as an EFRBS (section 393B ITEPA 2003).

Employer payments into most EFRBS and other trust arrangements are now subject to the disguised remuneration tax rules. This could result in a tax liability on the employee based on the employer contribution. Fortunately, there is a specific provision which excludes employer contributions to an RLP from taxation on the employee under the disguised remuneration tax rules.

HMRC views

HMRC covers the subject of RLPs in [EIM15045](#).

In correspondence it has also clarified two specific points, namely...

- The ability to include disability/illness benefits in policies.
- The applicability (or rather non applicability) of section 1290 Corporation Tax Act 2009 to premium payments under an RLP. This means, broadly, that the deduction available to the employer will not be dependent on a benefit having been paid and taxed.

Guidance on the meaning of "benefits under a relevant life policy" is available in [IPTM7020 onwards](#) and given for excepted group life policies which are relevant life policies but with more than one life assured.

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