

RELEVANT LIFE INSURANCE
TAX EFFICIENT LIFE INSURANCE FOR BUSINESSES, DIRECTORS AND EMPLOYEES
January 2025

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 25%.

| | 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 | (£537) | (£250) |
| Total net cost | £1,610 | £750 |

Cost per year for £1 million of relevant life cover

| AGE | SINGLE LIFE | | | |
|-----|---------------------------------|---------------------------------|-----------------------------------|-----------------------------------|
| | 10 YEAR TERM GUARANTEED PREMIUM | 20 YEAR TERM GUARANTEED PREMIUM | TO AGE 65 TERM GUARANTEED PREMIUM | TO AGE 75 TERM GUARANTEED PREMIUM |
| 30 | £258 | £327 | £431 | £555 |
| 35 | £355 | £452 | £558 | £761 |
| 40 | £520 | £688 | £764 | £1,046 |
| 45 | £829 | £1,097 | £1,076 | £1,455 |
| 50 | £1,298 | £1,763 | £1,488 | £2,031 |
| 55 | £1,837 | £2,658 | £1,929 | £2,726 |
| 60 | £2,954 | - | £2,180 | £3,757 |
| 65 | £4,726 | - | - | £5,179 |

All premiums are indicative only and assume standard rates for clients that are non-smokers and UK resident. Source Iress. This information is intended for professional advisers only.