

Relevant Life Plan

Do you want to provide valuable life cover and financial security for your employees and your family in a tax efficient manner? A Relevant Life Plan could be the answer.

What is a Relevant Life Plan?

A Relevant Life Plan is an individual 'death in service' life policy that is affected by an employer on the life of an employee and is funded by the employer. It is a term assurance plan designed to pay a lump sum benefit if the employee covered dies or is diagnosed with a terminal illness during their employment, within the term of the plan.

Relevant Life Plans are similar to most other types of life cover but can be a very useful tax efficient alternative providing valuable death in service benefits.

Added peace of mind

The unique way in which Relevant Life Plans work mean you can effectively have the taxman help pay for the cover. While the cover is personal to your employees, the policy counts as an allowable business expense for tax purposes and employers payments do not count towards the employees annual or lifetime pension allowances.

In most cases Relevant Life Plan premiums and paid benefits qualify for full Income Tax relief, National Insurance relief and Corporation Tax relief.

What can you save?

A Relevant Life Plan could result in savings for a business when compared with a typical life policy. Premiums could be reduced by up to 50% if you're a higher rate taxpayer and up to 40% for a basic rate taxpayer.

Mr A paying personally for life assurance

ABC Ltd paying for a Relevant Life Policy

Monthly premium from income after tax = **£200**

Monthly premium paid by LBD Ltd = **£200**

Pre-tax income needed to fund £200 at Income Tax rate of 40% and employee National Insurance at extra 2% rate = **£344.83**

No Income Tax, employee's or employer's National Insurance payable = **£200**

Employer's National Insurance contributions at 13.8% on salary paid by LBD Ltd = **£47.59**

Total cost to = **£392.41**

No employer's National Insurance contribution

Less Corporation Tax at 19% as an allowable deduction. Salary, Income Tax and National Insurance are allowable expenses against Corporation Tax Total cost = **£317.85**

Less Corporation Tax at 19%, as the plan is an allowable deduction Total cost to LBD Ltd = **£162**

Personally, paying for life cover costs Mr A **£317.85** a month. ABC Ltd paying through a Relevant Life Policy costs **£162** a month. That's a saving of **£155.85** a month – over 50% less than paying for cover individually.

This information is based on our understanding of current legislation, taxation law and practice, which may change. The value of any tax relief depends on the individual circumstances of the investor.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to