

Could your life cover be more tax efficient?

Help protect your family and employees.

You're passionate about your family and business. So it's only right you should want to help protect your loved ones and employees in the best way. Zurich's Relevant Life Policy could be the answer you're looking for. It can provide tax-efficient life cover for you, as a company director, and your employees. So you can help safeguard the important people in your life.



Filling the life cover gap

A Zurich Relevant Life Policy might be right if:

- you are a company director and need life cover to protect your loved ones
- you would like to offer death in service benefits to your employees but your company doesn't have enough employees to warrant starting a company group scheme
- you need more life cover than your company's scheme provides.

Why Relevant Life Policies are tax efficient

As the company pays the premiums into a Relevant Life Policy, they're usually considered to be allowable deductions and not benefits in kind. This means:

- HM Revenue & Customs (HMRC) treats the policy premiums as business expenses – so they're likely to be an allowable deduction against Corporation Tax

- there's no National Insurance or Income Tax liability on the premiums for you and your employees
- the policy's benefits are paid tax free to the nominated beneficiaries
- the premiums don't form part of an individual's annual allowance for pension contributions
- the life cover benefits don't form part of an individual's lifetime allowance for pension savings – this potentially helps high earners with substantial pension funds avoid tax problems.

Tax treatment depends on your individual circumstances, which may change in the future. You should discuss this with your financial adviser.

Comparing the costs

Here's an example of the cost someone might pay arranging their own life cover – compared to the cost of having the same cover through a Relevant Life Policy.

Mr A is a shareholding director of LBD Ltd. He pays £200 a month for his life cover from his salary after tax. As a higher rate taxpayer, he pays 40% Income Tax on the higher part of his salary. He also pays the extra 2% rate above the upper earnings limit for National Insurance.

In this calculation, we've assumed the premiums for his policy are taken from his higher marginal rate of tax. In the example salary, National Insurance contributions and Relevant Life Policy premiums are all treated as allowable deductions for Corporation Tax.

Mr A paying personally for life assurance	LBD Ltd paying for a Relevant Life Policy
Monthly premium from income after tax = £200.00	Monthly premium paid by LBD Ltd = £200.00
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 = £200.00
Employer's National Insurance contributions at 13.8% on salary paid by LBD Ltd = £47.59	No employer's National Insurance contribution
Total cost to Mr A and LBD Ltd = £392.41	
Less Corporation Tax at 19% as an allowable deduction. Salary, Income Tax and National Insurance are allowable expenses against Corporation Tax	Less Corporation Tax at 19%, as the plan is an allowable deduction
Total cost to Mr A and LBD Ltd = £317.86	Total cost to LBD Ltd = £162.00

Personally paying for life cover costs Mr A and the business **£317.86** a month. LBD Ltd paying through a Relevant Life Policy costs **£162.00** a month. That's a saving of **£155.86** a month – 49% less than paying for cover individually.

Are you concerned about exceeding the Lifetime Allowance?

A Relevant Life Policy could provide the solution you seek, as its life cover won't form part of your lifetime allowance. And remember, as your company pays the premiums, HMRC usually considers them as an allowable deduction, and not benefits in kind.

Compare this to receiving life cover from a traditional company death-in-service scheme. The benefits paid would be included in your lifetime allowance at that time. If the benefits are paid as a lump sum, and takes you over the current lifetime allowance threshold of £1.03 million (tax year 2018/19), the excess may face a tax charge of 55%.

Points to remember

A Zurich Relevant Life Policy can be a tax-efficient solution for you and your business. However, it's worth remembering that it can only provide life cover. It can't provide any waiver of payment, critical illness cover or income protection benefits, and must stop before the individual's 75th birthday.

To find out more about how you could benefit from a Zurich Relevant Life Policy, please speak to your financial adviser. Please bear in mind you may be charged for advice given.

This document has been approved for customers to use only with their financial adviser.

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