

# let the taxman **help pay for** your life assurance

## Who are relevant life policies suitable for?

- Small businesses that do not have enough eligible employees to warrant a group life scheme.
- High-earning employees or directors who have substantial pension funds and do not want their benefits to form part of their lifetime allowance.
- They are not suitable for the self-employed or equity partners, although their employed staff could be covered.

## Are there any limits to the cover I have?

The legislation does have some limits to qualify for the tax concessions, and to ensure these are met Bright Grey requires that:

- The cover must be paid in a single lump sum before the age of 75.
- Only death benefits can be provided.
- Benefits must be paid through a discretionary trust.
- Beneficiaries are normally restricted to family members and dependants.

## What is the maximum amount of cover under a relevant life policy?

- You can apply for any amount of cover up to our maximum of £5,000,000.
- The maximum cover Bright Grey will accept is 15 times the employee / director's remuneration. This can include salary, regular dividends paid in lieu of salary and any benefits in kind.

**If you're a company director and you have life assurance in place to protect your family, you could be paying more tax than you need to.**

Relevant life policies are a way of providing death in service benefits on an individual basis no matter how small your business is.

## What are the benefits?

- Although the company pays the premiums, they are not normally assessable to income tax on the employee as a benefit in kind. This can be a significant saving, particularly for a higher rate taxpayer.
- Unlike a registered group scheme, the benefit will not form part of the employee's annual or lifetime pension allowance.
- These payments may be treated as an allowable expense for the employer in calculating their tax liability, as long as the local inspector of taxes is satisfied they qualify under the 'wholly and exclusively' rules.

**In most cases the benefits are paid free of inheritance tax – provided the benefits are payable through a discretionary trust.**

# Protection doesn't need to be complicated. Bright Grey makes it easy.

## What are the advantages of using a discretionary trust?

- There are restrictions in the legislation as to who benefits can be paid to. The use of the trust is the most practical way of ensuring these requirements are met. The beneficiaries who could be included are usually family members and dependants.
- Having benefits paid through a trust ensures they cannot be taxed as part of the company's trading income, nor do they form part of the company's assets.
- The trust is discretionary, allowing trustees to be flexible in who they pay benefits to. However the employee can advise the trustees of his or her intentions by completing a nomination form. Although this is not legally binding on the trustees, it helps to guide them. The trustees will normally be the directors of the company.
- Using a trust also ensures that in most circumstances benefits are paid free of both income tax and inheritance tax.

## How do I take out a relevant life policy?

Contact your financial adviser who will discuss the tax advantages and suitability with you in more depth and arrange for the appropriate documentation to be completed.