



Relevant life policies – the tax advantages

Relevant life policies provide a tax-efficient way of arranging death-in-service benefits for employers and employees. Here we show you how a relevant life policy can help your clients who are small business owners, and their employees, save money.

Rate of tax ¹	Policy payment £	Life policy			Relevant life policy
		20%	40%	45%	
		1,000	1,000	1,000	20%, 40%, 45%
Tax					1,000
	Income tax (40%) £	294	690	849	0
	Employee National Insurance contributions (NICs) ² £	177	34	38	0
	Employer NICs (13.8%) £	203	237	260	0
	Total tax cost	<u>674</u>	<u>961</u>	<u>1,147</u>	<u>0</u>
		1,674	1,961	2,147	1,000
Less	Corporation tax relief for employer (19%) ³ £	(318)	(372)	(407)	(190)
	Total cost £ (paid by employee)	1,471	1,724	1,887	-
	Total cost £ (paid by employer)	1,356	1,589	1,740	810

¹This example shows the rates of income tax that apply to UK taxpayers. Scottish rates of income tax are different, however you can use our [Relevant Life calculator](#) to calculate the tax savings for Scottish taxpayers.

²The employee NIC rate applied is 12% for a basic rate taxpayer and 2% for a higher or additional rate taxpayer.

³Assumes corporation tax relief at 19% has been given under the 'wholly and exclusively for the purposes of the business' test. However, the employer should check the availability of this tax relief with their accountant, who may liaise with HM Revenue & Customs for confirmation.

Use our [Relevant Life calculator](#) to see the potential tax savings that can be made using a relevant life policy compared to a non-relevant life policy.

These figures are for illustrative purposes only. The information is based on our understanding of current legislation, taxation law and HM Revenue & Customs (HMRC) practice, which may change. The value of any tax relief depends on the individual circumstances of the investor.

To find out more about Relevant Life, get in touch with your usual Aegon sales representative.

Visit our [business protection toolkit](#) for support and information on all aspects of business protection.

IP/00268486/08/18

