



For intermediaries only

Tax-efficient employee benefit packages for your smaller corporate clients

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The background of the slide is a photograph of a business meeting. In the foreground, a woman with long, wavy brown hair, wearing a light-colored blazer over a white top, is smiling and shaking hands with a man in a dark suit. In the background, another woman with dark hair is smiling. They are gathered around a table with papers and a white mug. The scene is brightly lit, suggesting an office or meeting room environment.

Employee benefits – relevant life policies

Employee benefits: relevant life policies - learning outcomes

By the end of this section you'll:



- understand what a relevant life policy is and who is eligible;
- have a better understanding of the tax treatment and advantages of these types of policies, and
- have an understanding of how relevant life policies compare to registered death-in-service schemes and excepted group life schemes.

What is relevant life?



An employer-funded life protection policy for an employee



It can benefit from favourable tax treatment

Relevant life target markets



Small businesses and their owners



Certain high-earning employees



Members of group life schemes who want to top-up benefits

The conditions of relevant life



Provides lump-sum death benefits up to age 75



No surrender value



Benefits payable to individual or charity only



Benefits must be capital in nature



Main purpose of policy must not be tax avoidance



Terminal illness benefit only payable while employee is still employed by employer

Tax treatment



A relevant life policy is defined in S393B(4) of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA).

- Do the premiums constitute a taxable benefit in kind?
- Are claim payments in the event of death or terminal illness subject to income tax?
- Are gains on the policy subject to income tax under Chapter 9 Part 4 ITTOIA 2005 (chargeable event legislation) in the event of a death or terminal illness claim?
- Do the premiums qualify for tax relief?

This information is based on our understanding of current taxation law and HMRC practice, which may change. The tax treatment and value of any tax relief depends on the individual circumstances of each client and may be subject to change in future.

Taxation of premiums and benefits



Relevant life policies are more tax efficient than ordinary life insurance policies that employers fund for an employee.

**No P11d
benefit for
employees**

**Employer premiums
benefit from
corporation tax or
income tax relief**

**No tax implications
for employers or
employees when
death or terminal
illness payment is
made**

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Tax saving examples

		Non-Relevant life (paid by employee)	Non-Relevant life (paid by employer)	Relevant life
Rate of tax ¹		40%	40%	20%, 40%, 45%
Premium		£100	£100	£100
Tax	PAYE	£69	£69	£0
	National Insurance (NI) contributions ²	£3	£27 ³	£0
Less	Tax relief for employer ⁴	-	£(37)	£(19)
Total cost		£172	£158	£81

¹This example shows the rates of income tax that apply to UK taxpayers. Scottish rates of income tax are different.

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

³Includes both employers and employees NI contributions.

⁴Assumes 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 HMRC for confirmation.

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Relevant Life tax calculator

Relevant Life tax calculator

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.

Applicable income tax rate: ?	<input type="text"/>	▼	%
Employee National Insurance (NI) rate:	<input type="text"/>	▼	%
Corporation tax: ?	<input type="text"/>	▼	%
Monthly policy payment:	£ <input type="text"/>		

Calculate

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Applicable income tax rate: ?	<input type="text" value="40"/>	▼	%
Employee National Insurance (NI) rate:	<input type="text"/>	▼	%
Corporation tax: ?	<input type="text"/>	▼	%
Monthly policy payment:	£ <input type="text"/>		

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Applicable income tax rate: ?	40	▼	%
Employee National Insurance (NI) rate:	2	▼	%
Corporation tax: ?		▼	%
Monthly policy payment:	£		

Calculate

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Applicable income tax rate: ?	40	▼	%
Employee National Insurance (NI) rate:	2	▼	%
Corporation tax: ?	19	▼	%
Monthly policy payment:	£		

Calculate

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Applicable income tax rate: ?	40	▼	%
Employee National Insurance (NI) rate:	2	▼	%
Corporation tax: ?	19	▼	%
Monthly policy payment:	£ 100		

Calculate

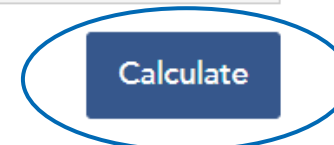
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Applicable income tax rate: ?	40	▼	%
Employee National Insurance (NI) rate:	2	▼	%
Corporation tax: ?	19	▼	%
Monthly policy payment:	£	100	



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Relevant Life tax calculator

Results

	Non-relevant life plan	Relevant life plan
Cost to employee		
Monthly policy payment	£100.00	N/A
Employee National Insurance (NI)	£3.45	N/A
Employee tax	£68.97	N/A
Cost to employer		
Monthly policy payment	N/A	£100.00
Employer National Insurance (NI)	£23.79	N/A
Corporation tax relief	£-37.28	£-19.00
Total monthly cost	£158.93	£81.00
Relevant Life monthly saving	£77.93or	49.03%

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Tax-efficient solution

Lifetime allowance – Dan died in May 2020



Yearly salary: £120,000



Pension value: £850,000



Death-in-service scheme pays four times salary: £480,000

Relevant Life



£141,295 saving

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Relevant life vs Death-in-service registered schemes

	Relevant life	Death-in-service registered scheme	Excepted group life
Company pays	✓	✓	✓
No P11D charges or National Insurance (NI) contributions	✓	✓	✓
Normally corporation tax relief	✓	✓	✓
Generally tax-free benefits under trust	✓	✓	✓
Available for small companies	✓	x	✓
Available on a single life	✓	x	x
No lifetime allowance trap	✓	x	✓
Not subject to pension scheme rules	✓	x	✓
Flexible	✓	x	x

- For the policy to qualify as a relevant life policy, there are certain legislative conditions that must be met.
- Waiver of premium isn't available for relevant life.

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Amount of cover

There are no limits to the level of cover set out in legislation, but we'll offer:

Age	Income multiple
Up to and including age 35	30 x income
Ages 36 to 50	25 x income
Ages 51 to 60	20 x income
Ages 61 and over	15 x income

Relevant Life from Aegon

Relevant Life

- Maximum age at entry
 - 73 for level cover
 - 72 for reducing cover
- The policy must stop on the day before the insured person's 75th birthday
- Can be written to a specific age
- Term 1 to 50 years
- Signature-free and paper trust
- Our Relevant Life trust is flexible – the employer can choose not to be trustee
- Enhanced continuation option
- Normal commission terms apply

Automatically included benefits

- Guaranteed insurability options
- Terminal illness benefit

Pre-completion benefits

- Immediate cover facility
- Accidental death benefit

Additional benefits

- Five-year renewable terms
- Indexation option

Policy Plus

- Additional support included at no extra cost, to all customers
 - Health and wellbeing service
 - Second medical opinion service
 - Key person replacement service
 - Funeral payment pledge

Our Relevant Life trust



Discretionary trust

Wide class of discretionary beneficiaries, including the employee

Flexible – employer doesn't have to be a trustee

Trusts establish legal rights and entitlements and might have material financial and tax implications for the settlor, trustees and beneficiaries.

Leaving employment



Four options are available


Employee wants to transfer policy into their own name.

Employee keeps the existing policy/trust in place. Takes over payments for the policy.

New employer takes over the premiums immediately.

Employee pays the premiums for a while - then new employer steps in to take over the funding.

No time limit

The background of the slide is a photograph of a business meeting. A woman with long, wavy brown hair, wearing a light-colored blazer over a white top, is leaning forward and smiling warmly at a man in a dark suit. The man is seen from the side, looking towards the woman. In the background, another woman is seated at a table, also smiling. The setting appears to be a modern office with large windows and bright lighting.

Employee benefits – executive income protection

Employee benefits: executive income protection - learning outcomes

By the end of this session you'll:



- understand executive income protection and how this compares to personal income protection;
- understand the tax treatment of executive income protection, and
- understand the pension benefits of using executive income protection.

Executive income protection target markets



Small businesses and their owners



Certain high-earning employees



Members of group life schemes who want to top-up benefits

Did you know?



An estimated 141.4 million working days were lost to sickness or injury in the UK in 2018¹.

31% of working age people in the UK have a long-term health condition²

The estimated cost to UK employers of mental health-related absence is **£7.9billion²**

Stress, depression and anxiety are leading causes of sickness absence in the UK²

Based on research from 2006, someone who's off sick for **6 months** or longer has an **80%** chance of being off work for **5 years³**.

¹ONS, Sickness absence in the UK labour market – 2018, November 2019

²Public Health England, Health Matters: health and work, January 2019

³NICE – Workplace health: long-term sickness absence and incapacity to work – March 2009

Comparison

	Executive income protection	Personal income protection
Policy owner	Company	Insured person
Maximum benefit available	80% of insured person's taxable earnings (including dividends), up to a maximum of £150,000 (£30,000 to cover pension and National Insurance (NI) contributions)	Lower of the insured person's benefit amount or a percentage of their taxable earned income
Premiums paid by	Company	Insured person or company (P11d benefit)
Benefit paid to	Company, who in turn continues to pay the insured employee through PAYE, with tax and NI deductions	Insured person, tax free
Deductions made	Standard deductions	Standard deductions

This information is based on our understanding of current taxation law and HMRC practice, which may change.

Comparison

	Executive income protection	Personal income protection
Tax treatment	<ul style="list-style-type: none"> • Premiums are generally an allowable business expense • Claim proceeds are taxed as a trading receipt • Benefit paid to employee normally an allowable expense and would be subject to PAYE and NI 	<ul style="list-style-type: none"> • If employer pays the premiums, taxed like additional salary (ie PAYE and NI) • If paid by insured person, this will be paid from net income • Benefits are paid tax free
Benefits	<ul style="list-style-type: none"> • Rehabilitation benefit • Proportionate benefit • Career break option 	<ul style="list-style-type: none"> • Rehabilitation benefit • Proportionate benefit • Career break option • Income promise of £1,500, less any continuing income • 10% financial cushion
Benefits treated as net relevant earnings?	Yes	No

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Executive income protection calculator

	Personal income protection	Executive income protection
Cost to employee		
Monthly premium	£100	N/A
Employee NI contributions	£3.45	N/A
Employee tax	£68.96	N/A
Cost to employer		
Monthly premium	N/A	£100
Employer NI contributions	£23.79	N/A
Corporation tax relief	(£37.27)	(£19)
Total monthly cost	£158.93	£81

Executive income protection saving of £77.93 or 49.03%

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Executive income protection from Aegon



- Paid to the employer.
- Maximum yearly benefit amount is the lower of:
 - 80% of insured person's income less any continuing income, and
 - £150,000 of income or £160,000 if comprised of income plus pension contributions/employer National Insurance (NI) contributions.
- Choice of benefit payment periods – either two years or full term to the benefit end date.



- Cover can include:
 - dividends;
 - employee/employer pension contributions, and
 - employer's NI.
- Choice of deferred periods.
- Payable to age 70 (minimum term is five years).
- Normal term commission applies.



Why Aegon?



Why Aegon? – learning outcomes

By the end of this section you'll:



- have a better understanding of:
 - our business protection solutions;
 - our underwriting philosophy;
 - our claims paid experience;
 - Policy Plus and the services it offers, and
 - how we can help you in the business protection market.



Why Aegon?

We're business protection specialists

Business Protection menu

- Life protection¹, critical illness protection, life with critical illness protection¹
- Income protection - key person, executive and 2-year executive
- Guaranteed or reviewable premiums

Pre-completion benefits

- Immediate cover facility²
- Accidental death benefit²

Automatically included benefits

- Guaranteed insurability options
- Terminal illness benefit
- Additional critical illness protection

Additional benefits

- Waiver of premium
- Renewal option
- Indexation option
- Instalment option (free)
- Total permanent disability



Relevant Life¹

Automatically included benefits

- Guaranteed insurability options
- Terminal illness benefit³

Pre-completion benefits

- Immediate cover facility
- Accidental death benefit

Additional benefits

- Indexation option
- Renewal option

Continuation option

Counsel opinion

Signature-free Relevant Life trust



Underwriting expertise

- Competitive medical and financial underwriting limits
- Large sum assured experience



Policy Plus

- Health and well-being service
- Second medical opinion service
- Key person replacement service
- Funeral payment pledge



¹Available on both a level and reducing basis

²Not available with income protection benefits

³Cover for terminal illness will stop if the insured person takes over payment of the premiums.

Why Aegon?

Design a comprehensive benefits package for employees and employed directors

We offer both Relevant Life and executive income protection in a single online application.

By applying for both benefits together, your clients can save with our multi-policy discount.



Immediate cover facility (ICF)

- Up to £3.5 million life protection
- Up to £1.5 million life with critical illness protection and critical illness protection including total permanent disability
- 60 days' cover
- Completed direct debit instruction
- Financial evidence
- Appropriate trust declared



Price Pledge

Price Pledge is our offer to beat our competitors' monthly or yearly premiums

We'll beat our competitor's monthly or yearly premium when the premium is at least £100 a month or £1,200 a year.

Available for:

- Level and reducing life protection
- Family income benefit
- Gift inter vivos

Terms and conditions apply.

Why Aegon?

Business protection toolkit



Business protection toolkit

For access to all the support and information you need at your fingertips to understand, discuss and write business protection.



The Vault

Your one-stop-shop to sample material, sales aids, technical factsheets, videos and more.

aegon.co.uk/business-protection-toolkit



Introducing Policy Plus

Health and wellbeing service

24/7 confidential counselling and online self-help tools.

Provides support for a wide range of issues, such as bereavement, emotional support, finances, debt issues, relationships, legal issues.

health assured

Second medical opinion service

Offers a face-to-face consultation with a UK-based specialist to review a recent medical diagnosis and treatment options.



Key person replacement service

Recruitment support to help keep your clients' businesses running, if they, or a key employee, are unable to work.



Funeral payment pledge

An advanced claim payment of up to £10,000 towards funeral costs, when probate causes delays.

Why Aegon?

We're committed to supporting you

- ✓ Specialist business protection consultants
- ✓ Reviewing and improving our proposition
- ✓ Investing in technology
- ✓ Price matching service
- ✓ Award-winning products and services



Pre-submission underwriting helpline
To speak to an underwriter about large benefit amounts call:

03457 83 54 73 (call charges will vary)



Business protection toolkit

aegon.co.uk/business-protection-toolkit



Policy Plus

aegon.co.uk/policyplus



Thank you

aegon.co.uk



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