Relevant Life: Taxation & Technical Guide

For company directors and high earners, a Relevant Life Plan offers one of the most tax-efficient ways to provide life cover. Rather than paying personally (from taxed income), your business can pay the premiums — usually qualifying for corporation tax relief — while you avoid any personal tax charge. In other words, the company pays, the family benefits, and HMRC doesn't take a slice.

How it works

When set up correctly, a Relevant Life Plan allows the company to treat premiums as a **tax-deductible business expense**. There's **no Benefit-in-Kind charge**, so neither the employee nor the company pays National Insurance or Income Tax on the premiums. The policy is **written into trust**, meaning any payout goes directly to the family and is typically **outside the estate for Inheritance Tax** (trust taxation rules apply). It also has **no impact on pension allowances**, unlike some group life schemes.
HMRC reference: EIM15045 – Relevant Life Policies

How a Relevant Life Policy Can Cut Company Costs

Illustrative example assuming £1,000 per year life cover, 40% income tax, 2% employee NI, 15% employer NI, and 19% corporation tax (small profits rate):

	Ordinary Life Cover	Relevant Life Plan
Annual Premium	£1,000 a year	£1,000 a year
Employee's National Insurance (2%)	£7	Nil
Income Tax (40%)	£276	Nil
Employer's National Insurance (15%)	£52	Nil
Total gross cost	£1,335	£1,000
Corporation Tax relief (19%)	£254	£190*
Net cost	£1,081	£810*

**Assumes corporation tax relief is available at 19% (small profits rate). In both cases we've assumed an annual premium of £1,000 for the life cover on an employee who's paying income tax at 40% and employee's National Insurance at 2% on higher-rate income.*

This comparison demonstrates how using company funds rather than post-tax income can reduce the true annual cost of providing equivalent life cover by around 25%.

In summary: A Relevant Life Plan can deliver the same cover for roughly one-quarter less cost compared to paying personally — while staying fully compliant with HMRC guidance.

From a technical perspective, the following points are particularly relevant to accountants and advisers:

Key Considerations for Accountants

Corporation Tax Relief: Premiums are generally tax-deductible as long as the policy is set up correctly. **Benefit-in-Kind:** Properly structured RLPs (life cover only, written in trust) are not a P11D/BIK for the employee/director (see HMRC EIM15045). **IHT/Trust Treatment:** Benefits paid into a discretionary trust are typically outside the estate, though relevant property regime charges may apply. **Eligibility:** Life assured must be an employee or PAYE director. Sole traders and partners do not qualify. **Scope of Cover:** Life and terminal illness only — adding critical illness or investment elements can invalidate tax relief.

Common Pitfalls to Avoid

Setting up cover for a non-employee shareholder or partner (not eligible). Failing to execute a discretionary trust — proceeds could then form part of the estate. Including critical illness or cash value features. Not recording the business justification for paying premiums.

Director's Note
"Many directors still fund personal life insurance from post-tax income, unaware that their company can pay for it far more efficiently. A well-structured Relevant Life Plan can cut costs dramatically while remaining fully compliant with HMRC rules."
Written by Jody Pearmain, Director of My Key Finance Ltd

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