Tax & Technical Guide

Reviewed 4 November 2026 for 2026/27. For directors, employees and their accountants.

Your company pays for the cover; your family or other eligible beneficiaries receive a valid death benefit through the trust. Relevant Life is individual death-in-service cover funded without paying the premium from your own taxed income.

A qualifying arrangement has no employee benefit-in-kind charge on the premiums. Corporation tax relief is a separate question: premiums must meet the usual business-expense rules. The policy and trust must also be set up correctly.

Compare the cost to the company

Assume the same £1,000 annual premium for each policy. Personal cover is funded by extra salary, wholly within the selected marginal tax and NI bands. Employer NI is 15%; corporation tax relief is 19% on both routes.

Annual calculation	Personal 20% tax / 8% NI	Personal 40% tax / 2% NI	Relevant Life
Net premium to fund	£1,000.00	£1,000.00	£1,000.00
Income tax on extra salary	£277.78	£689.66	£0.00
Employee NI on extra salary	£111.11	£34.48	£0.00
Gross salary required	£1,388.89	£1,724.14	Not required
Employer NI	£208.33	£258.62	£0.00
Company cost before relief	£1,597.22	£1,982.76	£1,000.00
Corporation tax relief (19%)	£303.47	£376.72	£190.00
Company cost after relief	£1,293.75	£1,606.03	£810.00

Illustrative annual saving: £483.75 against the basic-rate salary route or £796.03 against the higher-rate salary route. This is a calculation example, not a premium quotation.

Method: gross salary = premium ÷ (1 − income tax rate − employee NI rate). Add employer NI, then deduct assumed corporation tax relief. Relevant Life cost = premium × (1 − relief rate). Calculations use unrounded amounts; displayed rows may differ by a penny when added.

Assumes equal premiums, full expense relief and sufficient taxable profits. Excludes dividends, band crossings, personal allowance taper, Employment Allowance and special NI categories. Company rates can differ, including where marginal relief applies. Actual policy premiums may differ.

Try your own assumptions in our Relevant Life calculator.

Getting the arrangement right

Eligibility and cover amount

The employer arranges cover for an employee, including an employed company director. Sole traders, traditional partners and LLP members cannot cover themselves in that capacity. Insurers set age, residence and financial underwriting limits; there is no universal 25-times-earnings cap. Start with the family's debts, dependants and existing cover, then check which earnings the insurer accepts.

Trust and beneficiaries

The plans we arrange are written into a discretionary trust. Trustees hold the policy and deal with a claim under its terms. Death benefits are generally outside the employee's estate, but trust taxation can still be relevant. Keep trustees and beneficiary wishes up to date.

If employment ends

Ask about transfer to a new employer or personal continuation before stopping premiums. Options and deadlines depend on the contract, and tax treatment can change. Keep existing cover until any replacement is suitable and in force.

Life cover and illness cover

Standard Relevant Life covers death during the term and usually a qualifying terminal illness. Conventional critical illness cover is not automatically included. Some products offer employee significant illness cover with additional requirements, including retirement or anticipated retirement. Check the actual claim conditions and tax treatment.

Policy conditions and tax relief

The standard individual death-benefit arrangement has no surrender value, eligible beneficiaries and a specified maximum death-benefit age no higher than 75. Tax avoidance must not be a main purpose. HMRC also describes rules for permitted excluded benefits. Meeting the policy definition does not itself guarantee corporation tax relief; business purpose and company circumstances matter.

Director's Note

"Relevant Life is more tax-efficient because the company pays the premium. Compare the cost to the business after tax while checking that the cover meets your family's needs."

Written by Jody Pearmain, Director of My Key Finance Ltd.

Sources: HMRC EIM15045; EIM21800; PAYE and NI rates 2026/27; corporation tax rates.

Read our Relevant Life guide or request a comparison. Call 020 7112 8844.

General information. Tax treatment depends on circumstances and can change. Confirm the position with your accountant. My Key Finance Ltd is authorised and regulated by the Financial Conduct Authority, FRN 628996.