'Tis the season to…

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SALLY HOGBIN | HEAD OF PRUPROTECT LEGAL AND BUSINESS PROTECTION

Planning ahead

December 31 not only marks the end of the current year for us all individually, but for many companies this date is also the end of their financial trading year. Of more than three million businesses incorporated in the UK, over 15% of them will be tidying up their financial affairs over the festive season.*

Indeed December is the second most popular choice for a company's Account Reference Date (ARD), more commonly referred to as the Financial Year End. This December there will be a multitude of year-end tax planning opportunities created in approximately 460,000 firms. This is more than twice as many as any other month of the year besides March.*

The opportunity

Traditionally firms may have used this period to consider capital expenditure, budgets, investments and pension planning. However, with an increased focus on staff relations and bespoke benefit packages, perhaps this year it is time to consider the potential life assurance benefits that the employer, irrespective of size, can offer to their staff and their dependents.

One tax-efficient option available is the Relevant Life Policy. Whilst conventional 'death in service' schemes can meet this need, those employers seeking extra flexibility often consider Relevant Life Policies as an alternative. These plans are individual life policies taken out by an employer on the life of an employee for the benefit of their families.

Legislation tightly defines what they should look like. They must be single life, term assurance and end before the age of 75, and also be established in a Relevant Life Policy trust at outset to ensure benefits do not fall back in to the estate of the deceased.

* Source:
Statistical Tables on Companies Registration Activities 2012-13, Companies House.

Choosing to pay the contributions on an annual basis with PruProtect not only attracts a **4% discount** on the monthly alternative, but allows the employer to immediately deduct the total annual cost from its impending year-end calculation.

Relevant Life policies are available to all employees, including shareholding directors of limited companies. They are not considered a benefit in kind for the employee, and there is no National Insurance liability for them or the employer. Furthermore, the premiums paid by the employer are deductible as a business expense, reducing the Corporation Tax liability and any benefit paid out is not liable to Inheritance Tax.

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