

Specimen HM Revenue & Customs Letter



Below is a letter which could be used as a guide for companies wishing to find out the tax position on a key person policy from the HM Revenue & Customs.

To: HM Inspector of Taxes

Dear Sirs

XYZ COMPANY LIMITED

The above company wishes to effect a key person policy on the life of **NAME OF LIFE ASSURED** for its own benefit. The type of policy chosen is a Legal & General **NAME OF CONTRACT** and will not acquire a surrender value.

Details of the contract are as follows:

Type of contract:

Sum assured £**XXX** payable on **death/death** or earlier terminal illness/death or earlier terminal illness and/or earlier critical illness/total permanent disability.*

Other benefits:

Term of policy:

LEVEL Annual/monthly premium: £**XXX.XX**

NAME OF LIFE ASSURED presently holds the position of **TITLE** within the company.

NAME OF LIFE ASSURED:†

- Owns none of the shares in the company.
- Owns **XXX**% shares in the company.
- Is a substantial shareholder in the company.
- The policy is to compensate the above company for the anticipated loss of profits if the service of **NAME OF LIFE ASSURED** were no longer available.

OR

- The policy is security for a loan/loans*, which will become repayable on the death of **NAME OF LIFE ASSURED** within the loan period of **X** years.

I would be grateful if you could confirm in writing whether the premiums paid under the above policy will be treated as a business expense for Corporation Tax purposes and whether the policy proceeds will be treated as a trading receipt or a non-taxable item on the capital account.

Yours faithfully

For **XYZ COMPANY LIMITED**

* Delete as appropriate

† Select as appropriate



The above is purely a draft and it is essential that professional advice is sought before any action is taken.