

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.

Blue text indicates where text selections and edits are required as appropriate.

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: **XX** years

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 **XX** 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**

* Select as appropriate

Blue text indicates where text selections and edits are required as appropriate.



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

legalandgeneral.com

Legal & General Assurance Society Limited
Registered in England and Wales No. 00166055
Registered office: One Coleman Street, London EC2R 5AA

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Q27309 11/23

