

**BUSINESS PROTECTION – GUIDE TO THE RIGHT SOLUTION**

# A PLAN FOR EVERY BUSINESS.

With 99.9% of the UK's businesses being SMEs and more than half of these having no protection in place, there's an opportunity for your business. We've produced this guide to help you make the most of this potential when looking at protection solutions.

i

**hyde associates**  
Mortgage and Protection Advisers





**DIFFERENT TYPES OF BUSINESS WILL NEED A BUSINESS PROTECTION SOLUTION THAT’S RIGHT FOR YOU.**

In this guide we provide process maps highlighting the key stages when setting up your Key Person Cover, Share Protection Cover, Business Loan Protection and Relevant Life Plan. These maps show how a policy should be set up, who would own the policy and any tax implications each plan may have on you or your business. Each map covers all these areas and explains each step simply, so that you have a helpful guide to help you understand what policy you want your broker to set up for you

**BUSINESS PROTECTION SOLUTIONS.**

<p><b>KEY PERSON PROTECTION</b>                  Designed to help pay the policy proceeds directly to the business, which can be used to help replace a key person, cover the loss of profits that may occur or repay a loan. The policy proceeds could help a business to continue trading.</p>	<p>3</p>
<p><b>SHARE PROTECTION</b>                  Designed to help provide the surviving owners with the funds to purchase the deceased’s or critically ill owner’s share of the business.</p>	<p>4 &amp; 5</p>
<p><b>BUSINESS LOAN PROTECTION</b>                  Designed to help pay off any outstanding loans the business may have should a main shareholder, director, partner or key individual be diagnosed with a critical illness (if benefit is chosen) or die.</p>	<p>6</p>
<p><b>RELEVANT LIFE PLAN</b>                  A tax efficient single life Death in Service benefit for employees or directors of a business. The policy proceeds are paid to the Trustees (employer) and the benefit is written under Trust for the life assureds beneficiaries.</p>	<p>7</p>



## KEY PERSON PROTECTION

Designed to help pay the policy proceeds directly to the business, which can be used to help replace a Key Person, cover the loss of profits that may occur or repay a loan.

### TYPE OF BUSINESS

	LIMITED COMPANY LIMITED LIABILITY PARTNERSHIP SCOTTISH PARTNERSHIP	PARTNERSHIP	SOLE TRADER	
ELIGIBILITY/ SET UP	Business on the life of key person.	In Trust	Sole Trader on life of Employee	Own life
LIFE ASSURED	Employee or Director.	Partner or employee.	Employee	Own life
DOCUMENTS REQUIRED	Business Protection application form with ownership of benefits section to be completed.	Business Protection application form. Partnership Protection Trust deed.	Business Protection application form, with ownership benefits section to be completed.	Business Protection application form. Discretionary Trust deed.
PLAN OWNER	Limited Company Limited Liability Partnership or Scottish Partnership.	The policy is written as an own-life policy which is under trust. The trustees under the trust own the policy.	Sole Trader	The policy is written as an own-life policy which is under trust. The trustees under the trust own the policy.
TAX ON INDIVIDUAL	None	Periodic and exit charge could apply to Trust.	None	Periodic and exit charge could apply to Trust.
TAX RELIEF ON PREMIUMS	May be available subject to Anderson principles being met. The business should check this with their local inspector of taxes. For more information please refer to our Guide to Key Person Protection.	None	May be available.	None
TAX ON BUSINESS	The policy proceeds are likely to be liable to business tax if tax relief is given on the premiums. The business should check with their local inspector of taxes.	None	None	None



## SHARE PROTECTION

Designed to help provide the surviving owners with the funds to purchase the deceased's OR critically ill owner's share of the business.

### TYPE OF BUSINESS

	SHARE PROTECTION Limited Company, Partnership, Limited Liability Partnership (LLP)		COMPANY BUY BACK
TO MAKE THE PURCHASE PROVIDED?	<b>OWN LIFE UNDER TRUST</b> The surviving owners receive the funds from the Trustees. Either the owners or the Legal Personal Representatives (LPR) can then exercise the option agreement to buy or sell the share of the business.	<b>LIFE OF ANOTHER</b> The surviving owners receive funds from the plan. The surviving owners or (LPR) can exercise the option to buy or sell the share of the business.	<b>COMPANY SHARE PURCHASE</b> Company receives the funds from the plan and buys the shares from LPR of the deceased.
LIFE ASSURED	Shareholder, Partner, Member.	Shareholder, Partner, Member.	Shareholder
DOCUMENTS REQUIRED	Business Protection application form, Share Protection Trust form and cross option agreement. The policy should be in trust from <b>outset</b> .	Business Protection application form and cross option agreement.	Business Protection application form and share purchase agreement.
PLAN OWNER	The policy is written as an own life policy which is under trust. The trustees under the trust own the policy.	Shareholder, Partner, Member.	The Company
TAX ON THE INDIVIDUAL	If the business pays the premium this will be classed as remuneration and the individual will therefore be subject to Income Tax and National Insurance.	If the business pays the premium this will be classed as remuneration and the individual will therefore be subject to Income Tax and National Insurance.	None
WHO PAYS THE PREMIUM	Director, Partner or the Member.	Director, Partner or the Member.	The Company

continues



**SHARE PROTECTION** (CONTINUED)

Designed to help provide the surviving shareholders with the funds to purchase the deceased's OR critically ill partner's/director's/ member's share of the business.

**TYPE OF BUSINESS**

	<b>SHARE PROTECTION</b> Limited Company, Partnership, Limited Liability Partnership (LLP)		<b>COMPANY BUY BACK</b>
<b>TAX ON THE DECEASED'S ESTATE</b>	<p><b>OWN LIFE UNDER TRUST INHERITANCE TAX (IHT)</b> Any benefits from the policy will be payable to the Trustees and not to the shareholding Director's, Partner's or Member's estate. In addition, the policy premiums may fall within one or more of the inheritance tax exemptions. If a shareholding Director, Partner or Member dies and the cross option method has been used then any business property relief on their share of the business would be preserved.</p> <p><b>CAPITAL GAINS TAX</b> There is no capital gains tax on death but the beneficiaries of the estate may be liable for the increase in value of the share of the business between death and sale, although in practice this would be rare.</p> <p>However, in the event of the sale of a Partner's, Member's or shareholding Director's share due to a terminal or critical illness, a capital gains tax liability may arise.</p>	<p><b>LIFE OF ANOTHER INHERITANCE TAX (IHT)</b> The benefits from the policy will be payable to the surviving Directors, Partners or Members. If a Director, Partner or Member dies and the cross option method has been used then any business property relief on their share of the business would be preserved.</p> <p><b>CAPITAL GAINS TAX</b> There is no capital gains tax on death but the beneficiaries of the estate may be liable for the increase in value of the share of the business between death and sale, although in practice this would be rare.</p> <p>However, in the event of the sale of a Partner's, Member's or shareholding Director's share due to a terminal or critical illness, a capital gains tax liability may arise.</p>	<p>Seek legal and financial advice.</p>
<b>TAX ON THE BUSINESS</b>	<p>None, the business would not be liable to any tax.</p>	<p>None, the business would not be liable to any tax.</p>	<p>Premiums are paid by the company but Corporation Tax relief would not be available, as the policy is not to be used to meet a loss of profits on death. For company accounting periods starting on or after 1 April 2008, all gains made under policies owned by companies fall within the 'loan relationship' rules.</p>



## BUSINESS LOAN PROTECTION

Designed to help pay off any outstanding loans the business may have should a main shareholder, Director, Partner or key individual be diagnosed with a critical illness (if benefit is chosen) or die.

### TYPE OF BUSINESS

	LIMITED COMPANY LIMITED LIABILITY PARTNERSHIP (LLP) SCOTTISH PARTNERSHIP	PARTNERSHIP	SOLE TRADER	
ELIGIBILITY/SET UP	Business on the life of key person.	In Trust	Sole Trader on life of Employee	Own life
LIFE ASSURED	Employee can include Directors.	Partner or employee	Employee	Own life
DOCUMENTS REQUIRED	Business Protection application form with ownership of benefits section to be completed.	Business Protection application form. Partnership Protection Trust deed.	Business Protection application form, with ownership benefits section to be completed.	Business Protection application form. Discretionary Trust deed.
PLAN OWNER	Limited Company, Limited Liability Partnership, or Scottish Partnership.	The policy is written as an own life policy which is under trust. The trustees under the trust own the policy.	Sole Trader	The policy is written as an own life policy which is under trust. The trustees under the trust own the policy.
TAX ON INDIVIDUAL	None	Periodic and exit charge could apply to the Trust.	None	Periodic and exit charge could apply to the Trust.
TAX RELIEF ON PREMIUMS	None		None	None
TAX ON BUSINESS	None	None	None	None



## RELEVANT LIFE PLAN

A tax efficient single life Death in Service benefit for employees or directors of a business. The policy proceeds are paid to the Trustees (employer) and the benefit is written under Trust for the life assureds beneficiaries.

### TYPE OF BUSINESS

	LIMITED COMPANY/PLC	PARTNERSHIP/LLP/SOLE TRADER
ELIGIBILITY/SET UP	Employees which can include company directors (PAYE)	Employees (which includes salaried partners) of a Partnership, Limited Liability Partnership, Sole Trader and Charities.
DOCUMENTS REQUIRED	Relevant Life Plan application and Trust form to Legal & General RLP Nomination form to Employer (Trustee).	Relevant Life Plan application and Trust form to Legal & General RLP Nomination form to Employer (Trustee).
SETTLOR OF TRUST – PLAN OWNER	The principal employer (Company)	principal employer (the Partners of the Partnership, LLP, Sole Trader and the employers/trustees of a Charity).
TRUSTEE	The principal employer is automatically a trustee. But the employee is not. Up to three further trustees can be appointed, one of which can be the employee.	The principal employer is automatically a trustee. But the employee is not. Up to three further trustees can be appointed, one of which can be the employee.
BENEFICIARIES OF TRUST	The employee (so they can benefit in the event of a terminal illness claim), Any spouse, Registered Civil Partner, widow, widower, or surviving civil partner of the employee, Any child or grandchild of the employee whenever born (including stepchildren).	The employee (so they can benefit in the event of a terminal illness claim), Any spouse, Registered Civil Partner, widow, widower, or surviving civil partner of the employee, Any child or grandchild of the employee whenever born (including stepchildren).
TAX ON INDIVIDUAL	No P11d benefit therefore no Income Tax or National Insurance liabilities.	No P11d benefit therefore no NICs/Income Tax.
TAX ON BUSINESS	Premiums may be treated as a business expense and claimed against Corporation Tax as long as the wholly and exclusively rules are met*.	Premiums may be treated as a business expense and claimed against Income or Corporation Tax as long as the wholly and exclusively rules are met*.

\*We recommend that the employer (normally through their accountant) checks with their local inspector of taxes to gain comfort for their own particular circumstances.



### Head Office

250 Main Street, Shadwell, Leeds,  
West Yorkshire, LS17 8LB.

Tel 0113 2188890

[enquiries@hyde-associates.co.uk](mailto:enquiries@hyde-associates.co.uk)



### Hyde Associates Ltd

Company Registration Number: 4652939 Registered in England.

### Registered Office:

250 Main Street, Shadwell, Leeds West Yorkshire, LS17 8LB.

Hyde Associates Ltd is authorised and regulated by the Financial Conduct Authority (FCA). Hyde Associates Ltd Register Number is 300837. You can check our details at

[www.fca.org.uk/register](http://www.fca.org.uk/register)

or by contacting the FCA on 0800 111 6768.

[www.hyde-associates.co.uk](http://www.hyde-associates.co.uk)